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AGRICULTURE, RURAL DEVELOPMENT, FOOD  
AND DRUG ADMINISTRATION, AND RELATED  
AGENCIES APPROPRIATIONS FOR 2004

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS  
FIRST SESSION

SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG  
ADMINISTRATION, AND RELATED AGENCIES  
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PART 7

FARM AND FOREIGN AGRICULTURAL SERVICE PROGRAMS AND FOOD SAFETY  
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AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND

RELATED AGENCIES APPROPRIATIONS FOR 2004

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Wednesday, March 5, 2003.

FARM AND FOREIGN AGRICULTURAL SERVICES

WITNESSES

J.B. PENN, UNDER SECRETARY  
JAMES R. LITTLE, ADMINISTRATOR, FARM SERVICE AGENCY  
A. ELLEN TERPSTRA, ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE  
W. KIRK MILLER, GENERAL SALES MANAGER  
ROSS J. DAVIDSON, JR., ADMINISTRATOR, RISK MANAGEMENT AGENCY  
STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Introduction of Witnesses

Mr. Bonilla. The subcommittee will come to order.

We are delighted today to have with us for our hearing Dr. J.B. Penn, the Under Secretary for Farm and Foreign Agricultural Services; Mr. James Little, who is joining us with the--he is Administrator of the Farm Service Agency; Ms. Ellen Terpstra, the Administrator of the Foreign Agricultural Service; Mr. W. Kirk Miller, the Department's General Sales Manager; and Mr. Ross Davidson, the Administrator of the Risk Management Agency; and, of course, Steve Dewhurst, the Department's Budget Officer.

Members' Opening Remarks

We have read your statements and appreciate your submitting them in advance, and they will be included in the record.

Before I turn to you, Dr. Penn, for your opening statement, I would like to recognize Ms. Kaptur for any opening comments she may have. But I would like to, before I do that, acknowledge that Mr. Miller is from her home State of Ohio, attended Ohio State University and no doubt thought that that end zone pass interference call was the right call in the championship game this last January.

So Ms. Kaptur.

Ms. Kaptur. Thank you, Mr. Chairman, and I appreciate your acknowledgment of a Buckeye up there at the table. It is a welcome change, and we wish all of you success and appreciation for your service to the people of our country and, indeed, the people of the world.

Dr. Penn, we want to welcome you and all of your colleagues and to say that I know that there is a lot of pressure on you because of the adoption of the 2002 farm bill and the recent disaster package, and that is a lot of effort for the Farm Service Agency. I want to thank the Secretary and the Department for responding immediately to some of the issues that we brought up here last week about staffing difficulties in various offices and trying to provide sufficient staffing to accommodate farmers who are applying out there.

So I want to thank the Department for its speedy

acknowledgment of the need that was presented last week.

I also want to mention on the crop insurance issue, as we begin, we obviously hear from many farmers around the country who claim that they can't get insurance because of the crops they raise. Then other farmers who aren't buying insurance because they say, well, you know, 1 out of 5 years, we will take the losses. The inability of the insurance system to reach broadly remains a difficulty for us.

In terms of the Foreign Agricultural Service--and we will have questions on this--they really face a very daunting task, and I personally will ask questions about this. I am concerned about the inadequacy of resources to do the job and how we are going to meet the demands, not only in terms of Central Asia and the Middle East, but the Asian Peninsula and other places around the world.

So we look forward to your testimony this morning.

And thank you, Mr. Chairman, very much. It is a pleasure to be here today.

Mr. Bonilla. Thank you, Ms. Kaptur.

J.B., bear with us. We have a lot of members of the full committee that are at simultaneous hearings, so people will be coming in and out. As you may have heard, we are trying to--we are going to try to get our appropriations bills done all across the board as early as possible this year. This subcommittee has a lot of pride in the fact that they have--that we have worked together to get our bills done in a timely fashion in the last couple of years, and we fully expect to do that again.

We are going to--so we are cramming in a lot of hearings that are running simultaneous with our different subcommittees. On this subcommittee, we expect to conclude our hearings by the end of the month, by March 20th.

So with that, I would ask you to proceed.

#### Under Secretary's Opening Statement

Dr. Penn. Thank you, Mr. Chairman. It is a pleasure to be back with you again and before the Committee.

As you noted, we have the administrators from our agencies, except for Mr. Little, who somehow has been waylaid on his way here, and so we expect him momentarily. And we also have, as you noted, Steve Dewhurst, who is well known to this Committee. I will be very brief in my remarks, because I know that you have seen the prepared statements.

I would like to just begin by noting the importance of the Farm and Foreign Agricultural Services mission area to the entire Department of Agriculture. We are at the forefront in trying to meet the challenges that our farmers and ranchers face in the 21st century, and as Congresswoman Kaptur noted, we have had a lot of challenges this past year. First, we had the farm bill, which was enacted in May and made applicable to the 2002 year. So that was a massive undertaking for us, and it is still ongoing.

We also had a very severe drought that affected considerable parts of the country last year; and then, along with that, we had the failure of the Nation's largest crop insurance company, which we had to work through. Now we are

involved in implementing the emergency disaster program that was passed on February 20th.

And at the same time, as you have heard, we have this very ambitious trade negotiation agenda that is underway, and we are also dealing with all of the problems involved in keeping open the markets that we have already gained for the products of our farmers and ranchers.

The budget proposal that we are going to discuss today fully supports continuation of these activities, and we think that it is more than adequate to enable us to do a successful job for American agriculture.

#### FARM SERVICE AGENCY

I would like to note the three agencies individually for just a moment. The Farm Service Agency, which Mr. Little heads, is, of course, the one in which we have the most presence around the country. We have perhaps 2,500 locations. This is an agency that interacts most directly with farmers and ranchers; and we have been heavily involved, as the Congresswoman noted, in implementing the 2002 farm bill. That is a very complex farm bill. It enabled producers to update bases and yields, which they hadn't been able to do for many years before, and it posed a lot of difficult economic decisions. And so we have been working very diligently to try to get all of the producers enrolled and to try to get the benefits going to the farmers and ranchers as quickly as we can.

We think that the progress on program sign-up has been satisfactory. We would like it to be a little faster, of course, but we believe we will be able to complete that job by April 1.

We have paid out \$2.2 billion thus far in direct and countercyclical payments as a result of the sign-up. We have paid out \$1.1 billion in Milk Income Loss payments under the new program that was included in the farm bill. And the Congress enabled a Peanut Quota Buyout Program, which was worth \$1.3 billion, and thus far, we have paid out \$1.2 billion. So we are nearing the end of that program.

And in addition, we have made the Apple Market Loss Assistance and several other payments thus far this year.

Our budget places priority on enhancing FSA's ability to continue to assist producers. We propose a 2004 program level for salaries and expenses of \$1.3 billion, and that supports our ongoing ceiling of 5,900 Federal staff years and 10,800 non-Federal county staff years.

In addition to personnel, we continue to modernize our services. This is an area that lends itself well to modernization with information technology; and so we are implementing geographical information systems. The President's budget has \$42 million included for that purpose, but it appears under the Office of the Chief Information Officer.

And I would note that FSA, since the mid-1990s, has played a critical role in providing loans and loan guarantees to farm families who would otherwise be unable to obtain the credit they need to continue their operations. By law, a substantial portion of the direct loan funds is reserved each year for beginning and limited-resource and socially disadvantaged

farmers and ranchers. And so our budget proposal includes funding for \$850 million in direct loans and \$2.7 billion in guarantees. We think that these numbers are sufficient to meet the needs that we are going to encounter throughout fiscal year 2004.

#### RISK MANAGEMENT AGENCY

Turning quickly to the Risk Management Agency, led by Mr. Davidson, the Federal Crop Insurance program, we believe, plays a very important role already and can play a much more significant role in helping producers manage their risk. Last year, crop insurance provided \$37 billion in protection on over 215 million acres, and that was 4 million acres more than the previous year.

For point of reference, we produced \$200 billion worth of agricultural output. The Risk Management Agency is insuring \$37 billion of that. We are budgeting for slightly lower participation in 2004, based on estimates of planned acreage and expected market prices for the year.

Our budget also includes a legislative proposal to reduce the administrative expense reimbursement from 24.5 percent to 20 percent of the premium to the companies.

The 2004 budget requests an appropriation of such sums as necessary for the mandatory costs associated with the program, and that, of course, will provide the necessary resources that we need to meet the program expenses at whatever level the producers may choose to participate.

For salaries and expenses for the Risk Management Agency, \$78 million in discretionary spending is proposed, and that is an increase of \$7.8 million for this agency.

We also have nearly \$9 million for RMA information technology, which falls under the departmentwide common computing environment, and that will provide for upgrading a lot of the IT facilities of the agency which have not been upgraded for a decade or more.

#### FOREIGN AGRICULTURAL SERVICE

And finally, Mr. Chairman, the Foreign Agricultural Service, and USDA's international activities. I think that everyone here would agree that we can't overstate the importance of expanding market opportunities for America's farmers and ranchers. That is among our very highest priorities and certainly the highest priority of the Foreign Agricultural Service.

As I mentioned, we continue our trade expansion efforts on several fronts. We have the expansion of new trade agreements as a top priority, including the multilateral negotiations on the Doha development agenda. In addition to that, we have found that we have to devote more resources now to maintaining the markets that we already have open. The difficulties we have with China and with Russia and with Mexico have been widely reported, and it takes a lot of resources, not only from the Department of Agriculture, but also from our interagency colleagues, to make sure that everybody lives up to the trade agreements that they have already entered into.

And I would just note, Mr. Chairman, that this month marks the 50th anniversary of the Foreign Agricultural Service. We are so privileged to have Ms. Terpstra as the Administrator, who is far younger than her agency.

The budget provides funding of \$145 million for 2004, and this supports several of our major activities. We have 20 additional staff-years proposed for this agency to support the trade negotiations, to give us some capability in the important area of biotechnology and in sanitary and phytosanitary activities. We also will expand our trade capacity-building activities, and then we have to meet the pay costs and our payments to the Department of State for the administrative services that are provided to our foreign missions.

Also, FAS, as the committee knows, administers the major export promotion and market development activities, and these are guided by the new farm bill. The amount of funding for these activities is indicated in the new farm bill, and our budget fully reflects those funding levels.

Now, for our commitment to alleviating hunger and improving food security in developing countries through food assistance, the budget includes a proposal of \$1.6 billion in total. This includes \$1.3 billion for Public Law 480 for both Title I and Title II. We also have included \$50 million of appropriated funding for the McGovern-Dole International Food for Education and Child Nutrition Program, which was included in the 2002 farm bill.

So, Mr. Chairman, let me conclude by saying that we view this as a very modest proposal. We think it is a very positive proposal. It is intended primarily to enable us to continue to provide the services that we have been providing, and we appreciate the support of the committee.

Thank you, Mr. Chairman.

Mr. Bonilla. Thank you, J.B.

[The prepared statements of J.B. Penn, James R. Little, Ross J. Davidson, Jr., and Ellen Terpstra follow:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Bonilla. Before I begin questioning, I would like to also welcome someone on your panel.

Ms. Kaptur has a hometown friend here; I also have one from Texas, Mr. Davidson. Ross Davidson has a good, long history back home in Texas working for great corporations like Tesoro and what has been judged consistently over the years as the best insurance company in America, and that is USAA--so you have good men here--and his home is within about half a mile of my home back in San Antonio. So a small world.

But welcome--a special welcome to you today.

#### COMMODITY PROGRAM SIGN-UP

Dr. Penn, during our hearing last Thursday, the Secretary was here, and she was telling us that there would be no extension of the April 1 deadline for enrollment in the direct and countercyclical farm program for crop year 2003. About a week earlier, the Department said only 41 percent of farmers

had signed up for the commodity programs under the farm bill.

Members of this subcommittee have received complaints from their constituents who could not get appointments in their county offices until after the deadline. I point out that we had the same kind of situation with the livestock compensation program announced by the Department last October. We think we fixed that as part of our final action in the omnibus bill this year under section 203 of Division N of Public Law 108-7, but the fixed cost of \$100 million according to CBO.

Would you tell us in some detail what you are doing to meet this workload crunch and how you will handle farmers who missed the deadline through no fault of their own?

Dr. Penn. Well, thank you, Mr. Chairman. Let me see if I can provide some perspective and some clarification.

As you indicated, each week we issue a sign-up number, which is an average across all of the States for the United States. That number at the current moment, as you indicated, is 48 percent. So if you look at all of the farmers across the country, 48 percent have signed up and are now eligible for the benefits under the 2002 Act.

But we note that there are a considerable number of farmers who are not going to sign up; that is, they are going to accept the default option, and the default option is simply that they accept the production flexibility contract acreage and yields with the addition of soybean acres that they have historically had. So there is no reason for them to come to the office. We don't know exactly how many that is going to be, but we would venture a guess that it is certainly at least a fourth and perhaps as many as a third.

So we have the major agricultural States where most of the acreage base and yield updating will occur, and we would note if you look at those, that their numbers are between 55 and 60 percent. So if we take 55 percent and we add a third to that, then that gets us pretty close to 85 percent of the producers that we think are already taken care of. That leaves us the rest of this month to sign up the remaining 15 or 20 percent of the farmers.

Now, Mr. Little and his staff look across the country every week, and we are trying to identify those particular counties in which the workload is the heaviest; and in those cases, we are trying to divert additional resources to those counties. We are bringing in more computers. We are trying to lengthen the office hours so that producers can come in beyond the regular office hours. And we think that doing these things, focused on these particular counties where the workload is heaviest, that we will be able to complete the sign-up by April 1.

As I indicated earlier, we have well over 2,000 locations, and we think that the difficulty is probably going to occur in no more than 10 percent of those. So that is maybe 200 counties where we have to make these extraordinary efforts, we think.

Mr. Bonilla. So none of these producers then that have just got caught--as they claimed, they called and just couldn't get an appointment--they should be addressed then, right?

Dr. Penn. We think they should be addressed, and if there are any producers who through no fault of their own can't get signed up by April 1, then we will make sure we get them signed up as soon as we possibly can. They won't suffer any loss of



benefits whatsoever because of that.

Mr. Bonilla. On implementing the farm bill, J.B., last year a budget amendment was submitted requesting \$60 million for the increased costs of implementing the farm bill programs, and final congressional action in our most recent bill, \$70 million was provided for that purpose.

My question is, is this level of funding sufficient to meet the need throughout the current fiscal year, and is this level of funding sufficient--funding sufficient also to administer to new disaster payments that we just appropriated in the omnibus bill?

Dr. Penn. Yes, Mr. Chairman. We think that financial resources are not our problem. It is just finding enough people and having enough hours in the day to get everybody through the offices.

As you note, the farm bill itself included \$55 million for our expenses. We had originally estimated we would need \$110 million. Of that \$55 million, \$5 million was earmarked for an unrelated project, so we had \$50 million immediately, and we used that to add temporary staff so that we could immediately begin implementation.

And then we had proposed an additional \$60 million, and in the appropriations bill, as it turned out, we got \$70 million for the remainder of implementation of the 2002 farm bill and the disaster package. So we think we have enough financial resources.

Again, our problem is just getting enough people, getting them trained and making sure we can get the producers through the county offices on time.

Mr. Bonilla. Thank you.

I will now yield to Ms. Kaptur.

#### CCC SALES TO IRAQ

Ms. Kaptur. Thank you, Mr. Chairman.

We will have several rounds of questioning, but my first round, Mr. Under Secretary, I am going to ask questions regarding Iraq and the Department of Agriculture. And we had called your office on this, so I know many of the questions you will not be able to answer today, but we are asking for full disclosure for the record.

As I begin my questioning, I would like to ask unanimous consent to submit a GAO report to the record, November 1990, entitled Iraq's Participation in U.S. Agricultural Export Programs.

Mr. Bonilla. Without objection, that will be entered into the record.

[The information follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Ms. Kaptur. Thank you, Mr. Chairman.

We will also be asking to submit House hearings that were held by the Economic Stabilization Subcommittee of the Banking Committee back during the early 1980s, regarding these same sets of questions.

Mr. Secretary, my objective this morning is to try to make

the record clear, as clear as we can as we face this imminent war with Iraq, and how America ended up in this position and how various policies led to the very dangerous situation we find ourselves in today.

One of the most curious developments in all of this is trying to decipher what happened back during the late 1970s, 1980s and 1990s with regard to the relationship between the Commodity Credit Corporation and the financing of billions of dollars' worth of sales to Iraq. For example, in the early 1980s, between 1983 and 1990, nearly 17 percent of total guarantees from the Commodity Credit Corporation went to one country, Iraq. And indeed, in the years 1987 and 1988, Iraq was the beneficiary of almost 25 percent of all guarantees provided by the Commodity Credit Corporation.

One of the first questions I will have for you is looking at the GAO reports back in the 1990s, we thought we were at least \$2 billion in arrearages in terms of Iraq's ability to repay, but I wanted to give you the benefit of my own questions that I ask myself on this; and if you could provide for the record manifests and accounting records.

Was the CCC involved in any way in the shipments of--the financing of shipments of anthrax, for example, or fertilizers? I know for certain, fertilizers were exported from the State of Ohio through the CCC early in the 1980s.

I would like to know which exporters received bonuses to facilitate sales to Iraq through the early 1990s, and if one reads carefully the original GAO study that was done on this, probably the three most important pages, pages 12, 13 and 14, document the history of the CCC's relationship to Iraq from 1983 to 1990, indicating that Iraq began participating in the Department of Agriculture's GSSEP program with an initial allocation of \$401.9 million in export credit guarantees.

There seems to have been quite a debate in the Reagan-Bush administration about the nature of that relationship, and it always seemed that the decisions were made back in the 1980s that really favored Iraq. The amount of CCC financing increased. Sanctions were lifted in 1988. And during the 1980s Iraq was declared not a terrorist country. Right up to the invasion of Kuwait by Iraq, the amount of financing through the CCC was increasing.

What is more interesting, in 1990, June, the Assistant Secretary of State for Near Eastern and South Asian Affairs for the Bush administration testified before the Senate Foreign Relations Committee and said the administration opposed congressionally imposed sanctions against Iraq as not contributing to our foreign policy goals; and so I just wanted to stress to you, at least the concern of this member, about what really happened.

And for the record this morning, I am wondering if you could at least initially provide us--in terms of those relationships, what kind of insight can you give us, and what are the arrearages remaining today from those operations of the CCC with Iraq?

Dr. Penn. Well, thank you for the question and thank you for having your office alert us as to the subject you were interested in. We didn't have enough time to compile the records that you are requesting, but we will certainly make an

attempt to do that. We will try to provide all the information that responds to your questions just as quickly as we can.

As you note, these are developments that occurred some time ago, well before our watch, and the world was a much different place then, with Iran and Iraq and the geopolitics. So it is very difficult for me to recall at this moment exactly what may have come into play there.

I did ask our staff to examine the CCC's relationship to Iraq, and the most information I can provide you at this moment is that we think, from our preliminary examination, that the Commodity Credit Corporation is owed \$2 billion in principal by Iraq and that there is perhaps a billion dollars arrearage in overdue interest on that account.

That is as much as I can give you right now in terms of the particulars, but we will, as I said, examine the records and try to be as responsive as we possibly can.

[The information follows:]

#### Iraqi Debt to the Commodity Credit Corporation

Iraq's debt to the Commodity Credit Corporation under the GSM-102/103 programs as of March 5, 2003, is as follows:

[In thousands of dollars]

| Item                   | Amount      |
|------------------------|-------------|
| Principal Arrears..... | \$1,940,703 |
| Interest Arrears.....  | 212,321     |
| Late Interest.....     | 1,597,474   |
| -----                  |             |
| Total.....             | 3,750,498   |

Ms. Kaptur. I thank you very much, Mr. Secretary. My time is up on this round, but I think it is important for the public to understand that when these arrearages exist in the way that we function as a committee, obviously, and as a Congress, we have to reimburse the CCC for any losses eventually. So those arrearages are paid for by the American people ultimately. Thank you.

Thank you, Mr. Chairman.

Mr. Bonilla. Thank you, Ms. Kaptur.

As we usually do on this subcommittee, when the gavel goes down, we recognize members in order of seniority, but if not, we go by the time of arrival. And considering that, I will now recognize Mrs. Emerson.

#### FSA COUNTY OFFICE STAFFING

Mrs. Emerson. Thanks, Mr. Chairman. I do have some questions I want to submit for the record, because I am going to have to be scurrying between subcommittees too, and I apologize for that, because I have a lot of questions I want to ask.

I appreciate, Dr. Penn, the fact that y'all are going to try to accommodate our farmers who for some reason or other, because of the backlog and the tremendous time it has taken to

sign up for the farm bill to be accommodated, so that they actually can participate in the program. I just want to reiterate that we have several counties--and I know one of which, you are sending in extra people to help because we have got a huge, huge backlog. And contrary to perhaps other areas, most of my farmers do sign up for the program.

One of the things that does worry me to some extent is, when you send in temporary employees, the level of knowledge they have about the program and whether or not that is going to lengthen the process. You know, what are you all doing to ensure that our producers do get the same level of assistance with the temporary personnel as they do with the permanent?

Dr. Penn. Well, Congresswoman Emerson, as you know, that is a problem, and in a lot of these rural areas where the county office has the greatest workload, it is very difficult to just go out and quickly add temporary employees who are trained and who are knowledgeable of the program. So that is a particular challenge for us.

Most of the people that we can get quickly are people who can do the clerical work of the office, freeing up the people who do know the details of the programs to interact with the producers; and that is what we are trying to do, to make sure that when the producers are in the office, that they are dealing with people who do understand the programs and who have been trained.

And so, to the extent that we possibly can, we are trying to make sure that that happens.

Mrs. Emerson. Okay. And that brings to mind another issue that we talked about with Secretary Veneman last week, and that was, you know, in the whole scheme of reorganizing or consolidating offices, it does make me very uncomfortable, the thought that we would contract out some of these services to the private sector when you need a tremendous amount of technical expertise to help administer the program. And when you have got, you know, the farm bill, you have got disaster assistance--you know, what have you--this becomes very problematic in my opinion. So I just wanted to raise that.

#### RICE FOR HUMANITARIAN AID

Let me ask another question, just shifting subjects completely. With regard to Foreign Agricultural Service indirectly, one of the things that--and to Iraq specifically, one of the things that, you know, we are trying to encourage is that in the aftermath of whatever we end up doing in Iraq, we can include rice in any kind of humanitarian aid. Certainly we have an abundance of it, and I would like to know if you all will be able to work with USAID to ensure that we can include rice as--since that is the main staple of the Iraqi diet. So I want to say that.

#### EMERSON TRUST ACTIVITY

And then let me ask about the Emerson Trust, and I feel a little funny asking about it since it was named after my late husband, but anyway, I am concerned about it. Can you summarize the instances for me in the past that the Emerson Trust has

been used?

Dr. Penn. Off the top of my head, I can give you a bit of information, and we will supplement that for the record.

The Emerson Trust has been used in the past few years. The trust is authorized at 4 million tons, and it has been drawn down to 1.9 million tons, today, of grain. It was used two times in 2002.

Under the current Administration, there were two tranches taken from the reserve that totaled 575,000 tons, and those have been the only times that it has been used in my memory. We can go back and provide you more detail.

[The information follows:]

#### The Bill Emerson Humanitarian Trust

The Bill Emerson Humanitarian Trust (BEHT) was established in 1998 by enactment of the Africa Seeds of Hope Act. It replaced the Food Security Commodity Reserve, which was enacted in 1980. The 1998 Act also changed the release authority from the President to the Secretary of Agriculture, authorized the Secretary to swap eligible commodities held in the BEHT for any U.S. commodity (including processed commodities) of equal value, and allowed for holding cash in the BEHT. Since the wheat reserve was established, it has been used for the following purposes:

December 5, 1984--President Reagan authorized release of up to 300,000 metric tons for use in P.L. 480, Title II, for unanticipated needs in Africa.

October 26, 1988--President Reagan authorized release of up to 1.5 million metric tons for P.L. 480, Titles I and II, because of short domestic supplies.

September 14, 1989--President Bush authorized release of up to an additional 2.0 million metric tons for P.L. 480, Titles I, and II because of short domestic supplies.

May 31, 1991--President Bush authorized release of up to 300,000 metric tons for use in P.L. 480, Title II, for unanticipated needs in the Middle East.

July 19, 1994--President Clinton authorized release of up to 200,000 metric tons for use in P.L. 480, Title II, for unanticipated needs in the Caucasus region.

January 22, 1996--President Clinton authorized release of up to 1.5 million metric tons for use in P.L. 480, Titles II and III, because of short domestic supplies.

June 7, 2002--Secretary Veneman authorized the release of 275,000 metric tons of wheat to be exchanged for other commodities for use in P.L. 480, Title II, for unanticipated needs in Southern Africa.

August 28, 2002--Secretary Veneman authorized the release of 300,000 metric tons of wheat to be exchanged for other commodities to be used for the Southern Africa food security crisis. After this release, the Trust was reduced to about 1.98 million metric tons.

Mrs. Emerson. Have y'all come up with any kind of a plan that would supplement or replenish the trust with additional food?

Dr. Penn. We have not, but we are considering how best to

do that. As I said, it is down now to 1.9 million tons, which is still a very considerable amount of grain, but we are looking at the possibilities for how to do that.

Mrs. Emerson. So is that the reason, then, perhaps, that y'all didn't include any money in the budget request for replenishing it?

Dr. Penn. Well, we think that it is adequate--that we have adequate resources for the food aid needs for the current year; and, yes, we are still considering how best to do that and where the funds might come from.

Mrs. Emerson. In spite of all the food aid that we may need to give not only to Iraq, but also to sub-Saharan Africa, et cetera, do you think there is enough in that to----

Dr. Penn. We think we have enough, counting the money that is proposed in the budget, plus the carry-over, plus the use of the reserve and the shipments that follow on once you tap the reserve; we think there is an ample amount for this year, yes.

Mrs. Emerson. Okay. Well, hopefully if we have an opportunity, we can talk about that in more depth.

And the time is out, Mr. Chairman, so thanks.

#### FOREIGN DEBT TO CCC

Mr. Bonilla. Thank you, Mrs. Emerson.

Before I yield to Mr. Farr, Ms. Kaptur brought up an interesting issue about foreign debt specifically owed by Iraq, but as we all know, there is a lot of money out there from different countries, and I think it might be appropriate, J.B.--I am not asking you to go back and dig through files back during the Carter administration, but to--if you have a running total on what foreign debt is to the CCC from all foreign entities, that would be very helpful if you could provide that for the record.

Dr. Penn. We can certainly do that.

[The information follows:]

#### Commodity Credit Corporation Foreign Debt

As of February 28, 2003, the exposure of the Commodity Credit Corporation resulting from direct credit and loan guarantees to foreign countries totaled \$22.4 billion. Of this amount, \$4.3 billion represents contingent liability for the GSM-102, GSM-103, and Supplier Credit programs.

Mr. Bonilla. Thank you.

Mr. Farr.

Mr. Farr. Thank you, Mr. Chairman.

#### COFFEE PRICES

Thank you, Dr. Penn, for being here. And I am sorry that I am just going to have to ask this question and run.

It is often said that our food policies and our foreign policy, the right hand of the Federal Government doesn't know what the left hand is doing, and I can't think of an area that is more demonstrative of that issue than essentially what is happening in the coffee-growing countries of Central and Latin

America.

We are involved in a \$1.2 billion investment in Colombia, which is one of the leading coffee growers in the world, and at the same time throughout Colombia and the Central American countries, which we have been heavily involved in because of tragedies there by natural disasters and wars in the past, we have really been trying to help these countries, which are growing countries, take their number one cash crop, legitimate cash crop, coffee, and really sustain it.

Yet we have four multinational companies, three of which are headquartered in the United States--Kraft, Sara Lee, Proctor & Gamble and Nestle--who buy 80 percent of the coffee in the world, and what has happened is that the coffee prices have gone to an all-time low, so much so that we are now putting our food aid program, which you monitor, the Public Law 480 food, back into these countries to feed starving coffee farmers.

In fact, the Ag News reported in the last year that some 40,000 El Salvadorans, 130,000 coffee workers have lost their jobs since the crisis. At least three children were reported to have starved to death because of malnutrition, because of the coffee industry collapse.

So the right hand here is that we are investing in trying to get people to grow legitimate crops which are cash crops that are--that they can--and the best growers in Latin America are the coffee growers, and it is still small, agrarian agriculture.

Congress was so concerned about this that last year we passed in the last night of session--I authored it along with Cass Ballenger and other members of this committee, H. Resolution 604, which essentially put the onus on the State Department to come up with some recommendations in this area. But it seems to me that the Department, your department, ought to take a look at that resolution and come back with a strategy that does something that gets at these American corporations.

I mean, in essence, the coffee prices on the market here in the United States haven't dropped at all, but what they are buying, the coffee--and we have put a lot of money into teaching the Vietnamese how to grow coffee. They are growing the poor-quality coffee which is flooding the market.

But here is the dilemma. I mean, these are American companies, and we buy a lot of food from these companies for our School Lunch Program and for our Feeding Nutrition Programs and for, certainly, the military. I would imagine that for these companies the United States might be their biggest customer, and yet their corporate policies regarding coffee purchases are just abominable as far as what we are trying to do for social international aid to stop the cocaine growth and all of that.

And my point is, in your assisting these farmers who are being displaced because of low prices, has there been any discussion about how to stop that spiraling downfall of coffee growers in Central America and northern Latin America so that you don't have to put so much of our food aid program, in addition to our foreign aid, just to keep these people from starving? And are there ways in which you can use your influence over the purchases of food from these four big

companies?

And I am not the only one that is talking about this. Congressman Ballenger is very, very active in this issue, because we have just seen what happened in Colombia where we are appalled that our American corporations are sort of undermining our effort to have a sustainable agriculture there.

So are you familiar with this issue, and is there anything you can do from your department to try to balance out, I think, the equity of coffee issues here and our purchases of coffee. And perhaps there is even discussion that we are one of the few countries that doesn't have any quality standards for coffee. We don't have any coffee growers in the United States other than Kona, Hawaii, and it is a niche market, so we don't have any pressure from the inside to sort of worry about the quality of imports.

Dr. Penn. Well, I can say, Mr. Farr, that I am generally familiar with the issue.

This is a very important issue in terms of economic development activities all around the world, and as you correctly note, not only the U.S. Government, but international development organizations such as the World Bank have encouraged small holders to produce the crops that they produce best, everywhere in the world. Coffee has been one of those that has been very important, and it has been particularly noted that Vietnam is a new producer and has provided a lot of supply to the market now and that coffee prices have been depressed for quite some time. So it is a problem, I think.

I take your point about coordination across government agencies, coordination among the international development agencies, because if everybody expands production, we are going to increase the supply and drive down the price.

And then I take your point about our food aid programs. The development activities are not something that the Department of Agriculture has a direct responsibility for. That would be carried out under Title II of Public Law 480, which is the responsibility of the Agency for International Development. But we do have some food aid activities, and I take your point that some of our food aid may be going to places where the coffee prices are depressed.

We will certainly look into that, and I would be happy to try to provide you more information as soon as I can.

[The information follows:]

#### Worldwide Coffee Crisis

The U.S. Agency for International Development (USAID) is providing resources and coordinating initiatives to address the worldwide coffee crisis. USAID Coffee Activities work to create sustainable small-holder coffee systems which provide significant income, employment, social, environmental and consumer benefits. Where potential exists for farmers to effectively compete within the coffee sector, USAID is working to improve local capacity to produce and effectively market high quality coffee thereby increasing the price farmers earn for their product. At the same time, USAID programs assist farmers that cannot effectively compete within the coffee sector to diversify their activities and identify other sources



of income.

On August 30th, 2002, USAID signed a Quality Coffee agreement with Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, the Dominican Republic and Panama. USAID will provide \$8 million for a market-based program to assist small and medium coffee producers to improve coffee quality, form new business linkages, secure longer-term contracts with the specialty coffee industry, and identify and implement diversification options for producers that cannot be competitive.

In Colombia, USAID is helping mitigate the present situation by beginning a \$7 million 5-year effort on specialty coffee activities in opium poppy and coca cultivation areas. USAID's partners are working in partnership with the Coffee Quality Institute and the Specialty Coffee Association of America on coffee quality and market access activities.

Mr. Farr. Thank you very much. And it would be helpful if you could talk to AID and the State Department, because you have ag attaches in the very embassies of the countries we are talking about.

Mr. Penn. We do.

Mr. Bonilla. Thank you, Mr. Farr.

Mr. Nethercutt.

#### RELEASE OF WHEAT UNDER EMERSON TRUST

Mr. Nethercutt. Thank you, Mr. Chairman.

Welcome to all of you. We appreciate your being here to testify.

Mr. Davidson, I especially appreciate the remarks of the chairman with respect to your position as Administrator of the Risk Management Agency. I know you went out to my district in our State. You have been out around the country talking to people, and that is advisable for people in administrative positions.

I looked at the Web site of the Farm Service Agency, and this is what it says, just to remind you if you haven't looked at it recently: The Farm Service Agency at the U.S. Department of Agriculture ensures the well-being of American agriculture, the environment, and the American public through efficient and equitable administration of farm commodity programs, among other things.

You probably know that I am not happy about the Emerson Trust history with this administration. You all--the USDA is the subject of an Inspector General's investigation at my request, and it stems from the sales that occurred in 2002, three separate times as I look at the record, that in my opinion--I think an objective opinion of most of the people looking at it--caused a reduction in the price of soft white wheat in the marketplace, a total reduction by virtue of the government's releasing stocks, offering these sales without prior notice contrary to a policy that had been in place for years, since the 1980s as I understand it, under the Food Security Wheat Reserve Act of 1980 and subsequent times, that later became the Emerson Trust in 1998.

These sales occurred to the detriment of not only the

farmer, the agriculture industry in the Northwest and across the rest of the country, but specifically to the serious financial detriment of the small elevators, the guys who are holding government stocks, getting storage at low storage prices, I might add to you, in the Northwest. We have some of the lowest in the country.

And by virtue of your agency's either intentionally departing from the prior practice of taking only so much from each elevator so there would be equitable distribution across--you know, equitable paying, so to speak, taking those stocks out of an elevator and no more government storage payments--I think it was done either intentionally, without notice, in a departure from prior practices--it was either done through the gross negligence of someone or some of those in the agency, or it was just bone-headed.

By any objective standard, I would argue to you, it hurt American agriculture. It hurt the price for the farmer, hurt the storage conditions for the small elevator guys by having, you know, others be able to engage in predatory practices that cleaned out an elevator when, you know, the purchaser, the third-party purchaser, had lots of stocks on hand; and so, therefore, it eliminated some competition in the grain storage area, and it literally hurt the price of wheat for the farmer.

And I think it was done for one of those three reasons. That is what I have tried to think through might be the motivation that resulted in the action.

I don't see any good reason for having done what you all did, and there is further investigation being undertaken now by the IG. They are out on the ground, and God bless them. I think they are going to find all kinds of things with respect to the improprieties with the way this unfolded.

I have been a strong ag supporter, the agency as well. But, boy, this has me hot, because it hurt my people, and it hurts rural America. It hurts rural eastern Washington and other regions that were stuck with, you know, the impact of a policy that allows predatory practices to occur. Whether intended or not, I don't know, but it allowed it.

So I will have more questions, but I am happy to have any answers that you might want to express to justify what you did and why you did it.

But I am a hard sell on this one. I think you made a huge mistake, and it hurt my own people. It hurt the wheat industry, and frankly, it hurts the program and it hurts the Department.

So that is my little speech. But I am serious about it. It really bothers me. I am really irritated by it, and I am going to follow it up vigorously. So if you have a response, I would be happy to hear it.

Dr. Penn. Well, I would just say, Congressman, that we do know your feelings on this, we know how strongly you feel about it. You and I have discussed this. The IG is conducting an investigation, and so I think with that, rather than rehash it, I will just leave it there, but I do appreciate your sentiments.

Mr. Nethercutt. Thank you.

Mr. Bonilla. Mr. Goode.

Mr. Goode. Thank you, Mr. Chairman.

Dr. Penn, Mr. Little, I have got a question, I guess directed best to Mr. Little, on the Livestock Compensation Program which was included in the omnibus appropriations package.

The sign-up date is April 1 for all those that didn't make the September 9th cutoff date?

Mr. Little. Yes, sir.

Mr. Goode. Let me ask you this: What about livestock producers that sold their livestock, say, in November or December? They would still be eligible to go back and pick that up?

Mr. Little. We are still developing the final procedures, but if they sold them in November--the original date that we were looking at was back in June, I believe. As long as they owned the livestock between 90 days before or 90 days after June 1 of 2002, they would be eligible, so if they sold them in November, they should be covered.

Mr. Goode. Is that fixed, or is that what you are looking at?

Mr. Little. That would be what we are still looking at, yes. At least I don't know of anything----

Mr. Goode [continuing]. That is going to change that?

Mr. Little. Yes, sir.

Mr. Goode. So if they had them on August the 1st or August 15th, they would still be okay?

Mr. Little. Yes. They had to own the cows anywhere between 90 days before or 90 days after June 1, 2002.

#### ADVERSE EFFECTIVE WAGE RATE

Mr. Goode. Let me ask--and I don't know whether you--I guess you are on this too.

You know, the H2A workers get an adverse effective wage rate. Those are the persons from mainly non-U.S. areas, and their wage rate--it is adverse. It is not minimum; it is not prevailing. And the Department of Labor, of course, determines prevailing wage rate, and the Department of Labor I believe issues what the adverse effective wage rate is. And this is what food producers and a number of other agricultural producers pay to the migrant labor.

In my area, wages aren't going up; they are coming down--a tremendous amount of layoffs in manufacturing. But the adverse effective wage rate for--I will just pick a peach orchardist that called me yesterday about it--continues to go up. And the survey, it is my understanding, is done by the Department of Agriculture. I am not sure it is done by the FSA, but y'all do the survey, and then you give the information to the Department of Labor.

I want to know if you could tell me why the adverse effective wage rate--and it is a pretty sharp increase, and it is a huge impact on the apple growers and the peach growers and a number of other agricultural commodities in my area. I would just like to--I can't understand why the persons from the USDA, when they are calling around getting information for the survey, why it keeps going up when the wages and everything

else aren't going up.

Mr. Little. First off, I don't believe it is the Farm Service Agency that does the survey. It is probably the ERS or NASS. If I were to give you a reason why the rate is going up, it would only be an opinion. It could be because it is difficult to get temporary labor, but that is only my opinion.

Mr. Goode. Thank you, Mr. Chairman.

Mr. Bonilla. Thank you, Mr. Goode.

Mr. LaHood.

#### FSA COUNTY OFFICE STAFFING

Mr. LaHood. Mr. Little, if you have already answered this, I will just--you don't need to answer it.

What is the status of putting people in the field to help with the paperwork that needs to be filed by April 1st?

Mr. Little. Dr. Penn did refer to that earlier. The 2002 farm bill did provide additional staffing, so beginning in the July time frame, we brought on about 1,000 new staff-years for the remainder of 2002 and all of this fiscal year. Then the 2003 appropriations provided an additional \$70 million, with which we will hire additional temporary staffing.

You know, temporary staffing is not the best fix, because it only provides additional staff to do the administrative work, but it does free up time for the people that have the technical knowledge to conduct the sign-up.

We are getting as much temporary help as we can out there, we are working overtime, we have provided additional personal computers for the additional staffing. We are shifting people from counties that aren't heavily booked to those counties that are. So we are doing everything we can to provide the staff that is necessary.

Mr. LaHood. So you believe that there is enough staff out there to accommodate the folks that will be coming in the offices between now and April 1st?

Mr. Little. We believe we've got enough staff overall. We are thinking there might be 200 counties nationwide that will have difficulty getting everybody in by April 1, but as long as the producers let us know that they still need to come in, we are putting them on a register that will allow them to go in after April 1. So no farmers that have an intention to update their bases and yields are going to go without.

#### WAREHOUSE ACT IMPLEMENTATION

Mr. LaHood. Well, which one of you--I don't know if it is you, Dr. Penn, or maybe somebody else at the table--has the responsibility for the Warehouse Act implementation?

Dr. Penn. I guess I am the culprit there.

Mr. LaHood. I notice from your testimony that the issue of preemption is something that--whether you are proposing it, it is a done deal or what. But, you know, there are a lot of States that are opposed to that, including Illinois, Iowa, Indiana.

Can you address that? Is that a done deal, or is that something you are proposing?

Dr. Penn. It was something that we proposed to do, but in

the 2003 Appropriations Act, the Congress installed a 180-day moratorium, so, in effect, all of our activity is now prohibited.

I think, Congressman, this was one of those efforts to do good that got widely misunderstood. The case law associated with the Warehouse Act has been such that the Federal preemption issue, our lawyers thought, was well established. When the Congress revised the U.S. Warehouse Act and we published the final regulations, we noted that in the regulations. Then we tried to provide additional coverage for producers. And we did that in our proposal virtually all of the States except a very few, including the ones that you mentioned--Illinois, Indiana, Iowa still have programs that would provide more producer protection than what we would do. For most of the States in this country, our proposal would have provided additional protection for producers, not only those who store grain in the warehouse, but also those who sell grain to the warehouses. So it was an effort to try to improve producer protection, and we thought those States that provide more than what the Federal Government was going to do could still do that. In fact, we think that is the case.

We worked long and hard with the National Association of State Departments of Agriculture, we worked with the warehouse group, we worked with the National Grain and Feed Association, we made a good-faith effort to try to deal with all the stakeholders to work out a program that would be satisfactory to all, but we didn't succeed, and so the Congress has imposed the moratorium on our activities.

Mr. LaHood. Well, I assume you are going to be working on this between now and the time that we sort of established in the bill that we passed a month or so ago, to make some kind of a policy, right?

Dr. Penn. Well, we have had extensive negotiations with all of those groups, as I indicated, and we are still quite willing to sit down and see what could be put together that would be satisfactory to everybody. We are willing to visit with all of the stakeholders during the time that is allotted to us.

Mr. LaHood. Would you be willing to consider exempting those States that have more protection than the States that--well, for example, would you be willing to exempt Iowa, Illinois and Indiana because they provide more protection and actually make that a part of the policy?

Mr. Penn. Yes, sir, it is my understanding that they are exempt, that they are quite free to provide more protection than the Federal Government was providing. But I think in a large number of States, we were simply increasing the amount of protection that was available to producers. Our sole intent in this was to increase the protection that was available to the farmers who were producing the grain.

#### E-FILING OF FORMS

Mr. LaHood. Could somebody tell me what the progress of the e-file bill is? E-filing that allows for producers to be in their farmhouse and use their computer to file forms that ordinarily they would have to file in the offices?

Dr. Penn. Mr. Little?

Mr. Little. The e-file legislation did require that the service center agencies--Farm Service Agency, Rural Development and NRCS--provide farmers the capability to file from their homes or their place of business as of July of 2002, and we have got substantially all of our forms on line to where they can fill them out from home.

We also implemented a system for electronic loan deficiency payments on a pilot basis which we are expanding this fall. So we are basically compliant. We are not as far as we would like to be because the forms are not totally integrated with our systems, but as we grow and we continue to move on to the common computing environment, those forms that they fill out at home will automatically tie into our systems. Just this past week we also implemented e-filing for one of our farm loan programs. Producers are able to file their loan applications on line as well. So we are moving ahead. I will be honest, we are not as far ahead as I would like to be, but I think with the limited resources that we have and the time that it has taken, I think we are doing fairly well.

Mr. LaHood. Thank you, Mr. Chairman.

Mr. Bonilla. Thank you, Mr. LaHood.

We will now go to our second round of questioning. Whatever questions I have, J.B., I will submit for the record. We may have a vote. If that happens, I am going to go and vote and you can continue.

Ms. Kaptur.

#### CCC SALES TO IRAQ

Ms. Kaptur. Mr. Secretary, you responded to my first round of questioning in terms of your willingness to provide data from the Department on Iraq. When you made the comment at least in which you inferred that it is very old information and you would not go back to the Carter administration, let me just make the observation that I consider this Iraq issue obviously paramount and I don't consider it to be old. I consider it to be current.

I just wish to make these two statements before moving to another topic. In the year of 1988, Iraq received over \$1 billion in GSM-102 guarantees, making it the second largest recipient of GSM credit guarantees during that year.

Also, at that time there was a serious disagreement between the Congress, the legislative branch, and the executive branch regarding policy--policy toward Iraq. A Senate bill in April 1990 was introduced stating that no assistance, grant, sale, loan, lease, credit guarantee or insurance may be furnished to Iraq unless the President certifies that Iraq has opened its nuclear, chemical and biological sites to international inspection. A similar bill was introduced in the House, and yet in June 1990 the Assistant Secretary of State for Near Eastern and South Asian Affairs testified before the Senate Foreign Relations Committee that the administration--the then Bush-Quayle administration--opposed Congressionally authorized sanctions against Iraq, saying that they would not achieve U.S. goals in Iraq, that other nations would not join the embargo, that the administration's policy is to avoid using agricultural trade to pursue foreign policy goals, and sanctions would

increase the U.S. trade foreign deficit.

I would suggest that the U.S. policy in terms of international relations flows not in days but in decades and that part of the quandary we face today is because of the relationship between the financing of sales to Iraq and signals that were given to that government which remain problematic today. So I just wanted to place that on the record and again appreciate your cooperation.

Mr. Bonilla. Ms. Kaptur, as I said earlier, you can continue as I go vote and when you feel that you need to leave, go ahead and we will take a short break until we return, J.B.

#### BIOFUELS

Ms. Kaptur. Thanks, Mr. Chairman. I wanted to move to the subject of biofuels, a real new market for agriculture in America. We discussed the experience of biofuels last year in your appearance before our subcommittee, and energy independence being a paramount goal for our Nation as gasoline prices go over \$2 a gallon in America, your budget proposes to reduce the CCC funding in support of the biofuels program by \$15 million, and I am asking you in this round why are you doing this, particularly in view of the fact that even in terms of the President's proposal at the Department of Energy, the so-called money for the hydrogen fuel cell comes out of the biomass accounts at the Department of Energy? So we are reducing our commitment to biofuels, not just at Department of Agriculture but at the Department of Energy.

Dr. Penn. I am not familiar with that specific reduction, so, Congresswoman, if I could, I would like to ask Steve Dewhurst if he could elaborate on that.

Mr. Dewhurst. You are correct. The program has been authorized at \$150 million a year. I do think it is important to know that if you look at the program over the past couple of years, in 2001 the actual use of the program was about \$41 million. If you look at 2002, the actual use was \$78 million. In the 2003 act that Congress just passed the program is at \$115 million. And in the President's budget it is at \$100 million. So you are absolutely correct. The \$100 million is lower than the authorization, but it is higher than the actual use that we have had in the program in 2001 and 2002.

Ms. Kaptur. I thank you very much for that clarification, Mr. Dewhurst. I think part of the problem is the lack of real commitment by the Department of Agriculture to see itself as a player in the biofuels industry in this country.

Mr. Secretary, you couldn't be from a more important State and a more important region of the country. I have a really great map here that shows where capacity is being developed, and it just seems to me that the Department of Agriculture should be in the lead. And frankly, when I look at a \$60 billion trade deficit in petroleum, as I said to the Secretary last week, it is very clear where the target is. Every single person that is fortunate to be appointed in the Department should be thinking about this new industry and ways to encourage its development here at home.

I wish that I personally could buy ethanol in my district because I can go up to Detroit and buy a Ford Taurus today and

by the time I get it back to Toledo it is out of fuel. I cannot buy ethanol in my State. Well, there are two pumps in Columbus but I am not going to drive 2\1/2\ hours to fill the tank and drive another 2\1/2\ hours back to Toledo.

Can't the Department be more creative in helping this industry come on line and help it be farmer owned? What is the problem?

Dr. Penn. Let me respond by saying that I think, this one budget entry aside, the Department is very favorably inclined to renewable fuels. And look at the ethanol industry. This is an infant industry, maybe 10 years old, that today is going to use 10 percent of the entire corn crop, and the Department I think has been very supportive in the development of that industry.

We are also trying to be very supportive in all of the renewable fuels areas, not only in this mission area, but also in the Rural Development area and in the Office of the Chief Economist. There is a lot of activity concerning renewable fuels and how best to support those, and the Department was a big participant in the energy bill that the Congress considered last year and did not complete action on.

So I think that it is not quite fair to say that we are not interested. We are always seeking new uses for products, new markets for America's farmers, and so this is an area in which I certainly agree with you we have a lot of opportunity to do more.

Ms. Kaptur. Mr. Penn, I don't know what your request was to OMB, but I can tell you that in the cross-cut budget analysis that we received from the Department of Agriculture indeed your budget for 2004 proposes a \$70 million cut in support for biofuels development, \$40 million alone--over \$40 million out of your value-added research accounts.

I can also tell you that the vehicular use within the Department of Agriculture, other than Beltsville, using biofueled vehicles is abysmal. And the reductions in CCC, I wish I was a prosecutor here. I could say that your rhetoric does not match the reality, and maybe it is OMB that is the problem. But the reason I am pleading with you, you set the policy. Most of the development that has gone on around the country in biofuels has been without your help. I see farmers in my State struggling to finance the development of ethanol and biodiesel production. There is no help from the Department of Agriculture. Actually it is an embarrassment. And you are right in saying it is an infant industry, and because it is an infant industry the Seven Sisters can come down and push down the prices in this country.

I have a bill modeled on the rural telephone and rural electric experiences, for a rural biofuel industry in this country. I would love the Department's support. We have to provide the platform to birth up this industry, but I don't see the muscle from the Department of Agriculture behind this. We have a \$60 billion hole in terms of imports, yet we have a budget from your Department that cuts support to biofuels.

I am really pleading with you for the sake of the country, and look what is happening to us. Whether it is Venezuela, whether it is Africa, whether it is Iraq or Saudi Arabia, we are becoming more and more dependent. Our military is extended



all over the globe and why are we there? What is the main source of income these places are getting from us? Buying petroleum.

So this is, as I said to the Secretary, this is our generation, our time, our watch, and it will never come back to us again. Your Department is critical. I would love during your tenure to be able to have you help come to my district and open up some biodiesel and ethanol pumps and to in your value-added accounts find the most Btu's per ton of biomass that we can create in this country and to have that industry flourish and to provide a financing platform not just for the big muscle guys like ADM but for the farmers who are struggling across this country to make income from the market, not from their mailbox. We really need your help. You are on the executive side, I am not, and I would just plead with you to consider what more can be done at USDA and to bring together a team.

The Secretary's answer to me last week on this was: Congresswoman, you know the regulatory side; MTBE, for example, is helping the demand side. I am asking you also to think about the supply side and how we jack up the supply side and do not wait just for EPA and others to solve this problem, but to be aggressive. Look at the power you have.

America needs your engagement on this beyond where you see yourself today. Can you do more? Can you assemble a team there at USDA of your top experts and really look at bioenergy as a top priority for the Department?

Dr. Penn. Well, again let me just say in response that I think we share your enthusiasm for renewable fuels. We share your enthusiasm for new markets for the products from the farms, and I would argue that we are making a big effort. When you look at all of the activities across the Department that are not particularly visible in this budget, such as the research effort in the Agricultural Research Service and activities in Rural Development and other parts of the Department, we are making a big effort to be supportive of renewable fuels and all of these new markets that may be available for farmers.

Again, I say we have been very supportive of the ethanol market and that is one which has now started to mature. A billion bushels of corn this year, over 10 percent of the entire crop that was produced in 2002, will be used as feed stock for ethanol, and so we are enthusiastic about renewable fuels.

Ms. Kaptur. Mr. Secretary, do you have a special bioenergy working group at top levels, at your level of USDA?

Dr. Penn. Not that I am aware of.

Ms. Kaptur. If I could plead with you, connect the dots in your Department and with a \$70 million reduction in the Department's commitment to biofuels which I hope that this Congress can fix, you should not have a reduction in this important area. I can't make you do this, I guess, but I would encourage you in the strongest way possible to use the power of your Department to help America dig herself out of the hole that she is in and remove the chief strategic vulnerability that we have from a military standpoint and an economic standpoint.

I will say on the record the last four recessions,

including the one that we are in today, were caused by rising oil prices. And so America better wake up. And our farmers-- Keith Collins told us last week 50 cents of every farm dollar is Federal subsidy. Why can't our farmers farm the market? We need to look at supply side and we need to help our country, and I think you are a central player and you need to see it that way and be aggressive.

Now I am going to give you permission to take a break because I have to go vote, and I thank you very much for this round of questioning. Appreciate it.

Dr. Penn. Thank you.

[Recess.]

Mr. Bonilla. J.B., if you are ready we will continue, and thank you for bearing with us to break for the vote. I now yield to Mr. Nethercutt.

#### RELEASE OF WHEAT UNDER EMERSON TRUST

Mr. Nethercutt. Thank you, Mr. Chairman. Dr. Penn, did you analyze or anybody in your shop analyze the market impacts that could occur by the release of this wheat in July and September and I think December, if I am not mistaken? Did you do any analysis in terms of the market impact?

Dr. Penn. I can't recall all of the particulars and I can't recall the exact timing, but I believe that release was during the period when we had a run-up in wheat prices. So if there was ever a good time to release wheat from the reserve, I think that was probably it. There was an analysis. I can't recall the details, but we always look at what the market impacts of this are going to be because we know it is a very political issue. Once we release grain from any of these reserves, we watch that.

Mr. Nethercutt. I am not talking so much about the decision to release, but the decision to release like you did that is allowing this predatory practice to occur. Wipe out one small reserve in favor of a third party buyer who has reserves of their own, essentially knocking out the competition. That is the negative effect that it appears to me that it had, and I am wondering if you did any analysis in the field. Do you go out to the field offices frequently?

Dr. Penn. Yes, I do.

Dr. Nethercutt. How often?

Mr. Penn. Oh, I don't know. I can't tell you precisely. I would have to look at my travel schedule. I do go to the field offices and the producer meetings. I spend a lot of time with the farmers. My door is always open to anybody who wants to see me. I don't think accessibility or involvement is an issue with me.

Mr. Nethercutt. I am not suggesting that it is. I just want to understand what analysis in the field, in the market, in the industry you might have engaged in before making the decision to depart from prior practices of a little from here, a little from here, limitations on purchasing--or putting that release of those wheat bushels out in the market.

Dr. Penn. Congressman, the situation was analyzed. And again it has been such a long time ago and there have been so many other things that I can't recall the particulars. But as

you know, it did involve the release of required wheat for particular users; certain types of wheat were required. Those were stored in particular parts of the country. There was an examination of all of those details and it wasn't just a question of releasing wheat, but it was releasing wheat by class, and the differential market impacts were analyzed.

I do not recall the details. I wish I could. But I assume the IG will look at all of that in the course of their investigation.

Mr. Nethercutt. I think part of the problem in the process that is engaged in with respect to these decisions is that there is a lack of information. So I have to assume that if there is no evidence of analysis, or if there is no evidence of bids that were rejected, that they were not done or that they were not--that the records were not kept for some reason, which leads me to the question: Do you see any changes necessary with respect to future releases of CCC-owned wheat?

Dr. Penn. Well, as I indicated in response to another earlier question, we have had several sales of wheat from the Emerson Trust. The one that you are most concerned about was the very first one, and I think the policy was modified for the subsequent sales to go to a broader area.

Again, I think there was a particular need for a particular class of wheat which I think caused the first sale to be concentrated in the Pacific Northwest. I think as the subsequent releases were made that other classes of wheat were required and so the geographic area was much broader. So the removal from the warehouses was more widely dispersed in the other releases than it was perhaps in the first one.

Mr. Nethercutt. That does not answer my question. There was hard red and soft white, and you hit us hard the second time just like you hit us hard the first time and you hit us hard the third time, and there was not any great need with respect to any international Emerson requirements in the second sale. As a result of what the Department has done, we have got now the government-owned wheat concentrated in five big international companies. Five. That is where the concentration is. So we have essentially, by virtue of the action of the Department in connection with this matter, limited those who occupy a place in the Emerson Trust reserve. I mean, you have got it concentrated in five international companies, big guys who had adequate reserves, and I am just trying to get a sense of whether you think that was the result you expected.

Do you think there ought to be any different procedures used next time? Is this 20 percent limitation a sensible one or is it, based on all that has occurred, you still don't want to do it?

I would just finally--I know my time is up--I would urge you not to do this again if you are contemplating doing it; that is, additional similar sales. I would be stunned if you did--you, the Department--because I think there ought to be this limitation that does not have such a negative impact on rural America and small grain elevators. Do you see what I am driving at?

Dr. Penn. I understand your concern.

Mr. Nethercutt. Do you see policy changes necessary?

Dr. Penn. Well, we are reviewing the situation. As I said,

we have been aware of your concern for some time and we are aware of the nature of the problem that you have pointed out to us and we are reviewing the situation.

Mr. Nethercutt. Well, is it your opinion as you sit here today that maybe going back to the prior practices of limiting that which comes out of any elevator to say 20 percent is a sensible practice? A fair practice?

Dr. Penn. I think it may well be. But the point is that this grain is stored at the behest of the government and it is stored for a purpose and at some point the grain does have to be released. I mean that is the purpose for having it stored, of course.

Mr. Nethercutt. I understand.

Dr. Penn. And I would note that a lot of elevators are never happy when any grain is removed from their premises. Storing grain for the government is a good practice, a good business, but we do have to use it from time to time.

Mr. Nethercutt. I understand, but yet when you come along and you wipe out a small elevator by virtue of the practice and policy that is in place, contrary to prior practice and policy, you bet they are unhappy. I have got some real unhappy people in my district to the tune of about a million bucks. And what that means is that in the price depression that occurs as a result of, in part, I am not blaming you for all of it, but in part for the actions of the government, we have got lower prices now for farmers. That has a corresponding negative impact on small towns, and sometimes the only way to keep the economy going is to have a little bit of grain in the small elevator rather than the big guy down on the river, because they do not worry so much about the impact like the small guys do. And you allow the predatory practices to occur that I think occurred in this case. Big ones going after small ones because they wipe out the competition.

So I can't imagine that you would not say this policy should be formalized or changed from the last 2 years of this administration. And I love this administration. Don't get me wrong. I am very proud of this administration; however, it is not beneath me to be critical when my own people are affected and affected negatively. So I would hope that your testimony would be that it was not the greatest judgment that you made three separate times, because it had this negative impact on the market. It hurts rural America and it really advantages big versus little.

So is there any reason why you would say that policy change is not necessary?

Dr. Penn. Well, Congressman, let me respond again and say that like most issues there are two sides to the issue, and there are some other considerations, and I feel inadequate today to respond to you, to tell you what the other side of the issue is because I simply am not familiar enough with it to do that. But there are good arguments for doing what was done. As I said before, we do not think we are infallible, and we are certainly willing to review and reevaluate the policy, and if it was a boneheaded decision, as you suggest, then we certainly will not do it again.

Mr. Nethercutt. And I appreciate that, and I would hope not. I guess my sense is that there may be good arguments, but

I have no clue what they might be, and at this point, your testimony is you do not either, although they might be out there?

Dr. Penn. No, no, that is not what I am saying. There were good arguments and it was a considered judgment. I could give you those arguments, and I would be happy to do that. I would be happy to follow up with discussion with you personally and I would be happy to provide material for the record, whatever you think might be most appropriate. But this was an issue that was considered and as I said before, there are other considerations.

Mr. Nethercutt. I do not want to beat this horse until it is completely dead, but I do refer you back to the Farm Service Agency mission: Equitable administration, efficient administration of farm commodity programs and to ensure the well-being of American agriculture. I have a lot of farmers out my way and a lot of elevator people who would say this is not fair. My own State legislature this past week passed a resolution condemning, criticizing, constructively suggesting that what happened in 2002 to present was so detrimental to the ag industry in our region, and I would argue some parts of the rest of the country, that it was worthy of a rather unanimous vote out in my State legislature. So it is getting the attention of a lot of people and they are very concerned about the policy of the administration.

I understand I might have a chance for one more question, Mr. Chairman.

Mr. Bonilla. Go right ahead, Mr. Nethercutt.

#### FUND FOR DEMOCRACY PROJECT

Mr. Nethercutt. On another matter, my staff recently met with some representatives of the Fund for Democracy and Development. I understand there is some kind of a dispute between the Department and the Fund about some project in Russia, and I would request that the Department make a good faith effort to reach some sort of a compromise so that the money can be used for something worthwhile rather than the current situation where I understand there is money sitting idle, and I can provide with you more details on that as well if you want or later with a staff member to get some details. But I would just put it on your radar screen, if you do not mind; take a look and see with respect to this particular Fund issue.

Dr. Penn. We are aware. Thank you.

Mr. Nethercutt. Mr. Chairman, I am finished.

Mr. Bonilla. Thank you, Mr. Nethercutt. We again have some members who are attending other hearings. We feel like we have allowed ample time for them to return from the last vote. Mr. Latham was interested in submitting questions for the record, and I understand Ms. Kaptur has some further questions, but we cannot locate her at this time so with that in mind we suspect that her questions will be submitted for the record, and we stand adjourned until 9:30 tomorrow morning and we appreciate your appearance here today.

Thank you.

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Wednesday, March 12, 2003.

U.S. DEPARTMENT OF AGRICULTURE FOOD SAFETY AND INSPECTION SERVICE

WITNESSES

ELSA A. MURANO, UNDER SECRETARY FOR FOOD SAFETY  
GARRY L. McKEE, ADMINISTRATOR, FOOD SAFETY AND INSPECTION SERVICE  
STEPHEN DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Introduction of Witnesses

Mr. Latham [presiding]. Good morning, everyone. I am Congressman Tom Latham; I am not Henry Bonilla. The Chairman is in a caucus conference this morning; I believe the Democrats also have one, so there may be fewer members initially than what we would expect normally. But welcome, everyone.

Today the committee takes up the very serious issue of food safety, and the administration's fiscal year 2004 budget request for the Food Safety and Inspection Service. I am delighted to have before us today Dr. Elsa Murano, the Under Secretary for Food Safety; Dr. Garry McKee, the Administrator of FSIS, and our budget guru, Mr. Steve Dewhurst. Dr. Murano appeared before the committee last year, but this is Dr. McKee's first time before this group. And we extend a warm welcome to you and to the colleagues from the agencies that are with you here today.

We certainly face some hard work in ensuring the safety of foods against both intentional and unintentional contamination. Parts of your agency's mission have not changed since the start, yet in other areas, you face brand-new challenges. That certainly creates some hard decisions on priorities and budgeting. On behalf of this committee, I am proud to say that last year we fully funded the Agency's budget request. We share your commitment to keeping our food supply safe.

With the team before us, we can see that the administration certainly has focused on science, expertise, and food safety, and on the need to manage resources well. The job that you and your folks in the field do is extremely important, and I hope all of the FSIS employees realize that we appreciate their dedication and fine work.

Before we hear from our panelists, I would turn to my colleague, the ranking member from Ohio, for any opening remarks she may have.

Ms. Kaptur. Thank you, Mr. Chairman, very much. Dr. Murano, Dr. McKee, we welcome you this morning, and obviously Mr. Dewhurst as well back again before our subcommittee.

Dr. Murano, the issues that you deal with in food safety are obviously on the minds of the American people, and they meet the results of your work and our work every day when they shop in the grocery stores and buy product in our restaurants. We are very interested in your testimony this morning because of the larger number of food-borne illnesses that are affecting the American people. And with recalls like Wampler and ConAgra,

the volumes involved are at historic highs.

Just yesterday, indeed in Ohio, there was another recall from American Food Groups, I am sure you are aware of this, 106,000 pounds of fresh and frozen ground beef products. I think one of the problems is that the time it takes, if you do discover it to the time of recall, seems to be a big lag. Then, as I asked the Secretary when she was here, the issue of recovery, recall doesn't mean anything. You get some information out there, but most of the product remains in the stores or wherever it might be for eventual consumption. The agency has had a drop of 35 percent in enforcement actions since the year 2000. The General Accounting Office has expressed some concerns about that in reports that have been given to us.

So, we are very interested in the record levels of funding that Congress has been providing, but the follow-through has a lot to be desired. So we are really happy that you are here this morning. We want to hear about what you are doing within USDA in order to make our food system not just the best it has ever been, but even better than it has ever been.

Thank you both so very much for being here today.

Mr. Latham. Thank you, Ms. Kaptur.

And on a personal level, thank you for dropping by last week for a visit. You may proceed with your opening statements.

#### Opening Statement

Ms. Murano. Thank you, Mr. Chairman.

I am Dr. Elsa Murano, Under Secretary for Food Safety. With me today are Dr. Merle Pierson, Deputy Under Secretary for Food Safety, Dr. Garry McKee, Administrator of the Food Safety and Inspection Service, and other FSIS representatives.

The safety of our food supply is one of the most important issues we face not only at USDA but as a Nation. There is really nothing more personal or vital to all of us than the food we provide to our families. We have the best food production and processing systems in the world, providing consumers with the most abundant and safest food supply. However, last year was a testament that maintaining the safety of our food is an on going challenge. We faced two outbreaks, one caused by *Listeria monocytogenes*, another caused by *E. coli* O157:H7. According to the Centers for Disease Control and Prevention, CDC, over the past decade, there has been a major *Listeria* outbreak associated with ready-to-eat products in the United States every two to four years, and *E. coli* O157:H7, due to consumption of undercooked hamburgers are almost an annual occurrence.

Despite these challenges, we have made significant improvements to our food safety program. We believe that the Pathogen Reduction/Hazard Analysis and Critical Control Point (HACCP) Rule in 1996 has made food safer. In May of 2002, the CDC reported that the rate of foodborne illnesses across the board has decreased 21 percent.

I want to review some of the achievements we have made in improving food safety before I describe our plan to combat these outbreaks of foodborne illness.

Last year when I testified before this Subcommittee, I

outlined to you five goals that I intended to pursue in the coming year to ensure that we are proactive in protecting public health. We have pursued these goals with an aggressive vigor, and I am proud to report that much has been accomplished over the last year in our pursuit of these goals to ensure the safety of the Nation's food supply.

The first goal is to ensure policy decisions are based on science. My background as a researcher in food safety has shown me the importance of utilizing science in formulating regulatory policy. Risk assessments are scientifically-based processes of estimating the likelihood of exposure to a hazard and the resulting public health impact. They are the best way to measure pervasiveness of pathogens, and they provide a solid foundation from which we base policies on science. The benefits of using them can be seen in our initiatives on E. coli O157:H7 and Listeria monocytogenes last year.

We learned from our risk assessment on E. coli O157:H7 that the pathogen was not the proverbial needle in a haystack that we once believed. On the contrary, it was much more prevalent than previously thought, which meant that we had to take a hard new look at our strategies to address its occurrence. We also learned that not all establishments were implementing HACCP systems that were effective for controlling E. coli O157:H7. Others were not correctly validating the interventions used to control the pathogen.

Finally, we realized that simply focusing on grinding operations was not effective. Therefore, in order to be efficient, we also needed to focus on the production process, the slaughter process and trimmings as contributors to the problem.

In December, we issued an interim directive to our inspectors to make sure that establishments producing ready-to-eat meat and poultry products are preventing Listeria monocytogenes contamination. This directive was absolutely necessary, given the gravity of the northeastern Listeriosis outbreak in the fall.

Furthermore, we recently completed a draft risk assessment on Listeria, which evaluates all the factors that potentially contribute to the overall risk to public health. The information developed during the risk assessment process is critical to exploring a variety of risk management scenarios, and we plan to examine different combinations of testing and intervention that present possibilities for future policymaking. We will consult the risk assessment as we work on a final rule to reduce Listeria in processing plants that are producing ready-to-eat meat and poultry products, moving as rapidly as we can to develop this final rule while using sound science as a basis.

Our second goal is to improve the management and effectiveness of FSIS programs. In order to fulfill this goal, we needed a leader to head FSIS through one of its most profound transformations toward a public health mission. I am truly proud to say I have found this leader in Dr. Garry McKee, who started on September 1st, 2002. In this very short time, he has made a very positive impression on the agency's employees and constituents alike. Dr. McKee is a committed public health professional with over 30 years of public health experience,



and a proven leader in managing public health programs and personnel. With his leadership, we are already seeing increased employee accountability, improved communication flow, and increased efficiency in the agency's programs. As a public health agency, lives depend on our programs and operations to work as a finely-tuned machine.

In addition to selecting Dr. McKee as administrator, I started a reorganization of FSIS last year so that the agency can meet its public health and food safety goals better. The purpose for this reorganization is to increase accountability, enhance communication, and improve overall efficiency. This reorganization will also ensure that the principles of public health and food safety cut across the entire spectrum of FSIS's work. We have added four assistant administrators for Food Security; Program Evaluation, Enforcement and Review; Outreach and External Affairs; and International Coordination to strengthen the working relationship between our various offices.

The third goal is to improve coordination of food safety activities with other public health agencies. I am a strong believer that, by working together, all the agencies with public health responsibilities can best utilize our resources to ensure a safe food supply. An example of our progress in this area was an unprecedented investigation that we coordinated with the CDC and other State and local public health agencies on the northeastern Listeriosis outbreak last fall.

Another example is our very close working relationship with the Food and Drug Administration Commissioner, Dr. Mark McClellan. He and I have established regular meetings to increase our interaction on issues of mutual concern, and to discuss policy positions of common interest.

States are also an integral part of the U.S. food safety system. We are continuing to take steps to improve Federal/State cooperation on State meat and poultry inspection programs. For example, we are working in close cooperation with State program directors on the National criteria for meat and poultry inspection programs, a project to update, clarify, and simplify requirements for cooperative State meat and poultry inspection programs.

Our fourth goal is to protect the food supply against intentional harm. Since the attacks on September 11, FSIS has strengthened coordination efforts to prevent, detect, and respond to food-related emergencies resulting from acts of terrorism, and ensure the safety of meat and poultry and egg products that come to us from other countries. With a strong food safety infrastructure already in place, FSIS has been able to focus on fortifying existing programs and improving lines of communication both internally and externally.

In addition to reinspecting imported product, FSIS continually assesses foreign establishments to make sure their sanitation and inspection procedures are equivalent to those in the United States. We have also conducted a risk assessment to be used as a tool for determining the most vulnerable products, likely agents, and potential sites for deliberate adulteration of domestically produced meat, poultry, and egg products.

We are also developing a threat assessment of the import

system to identify points in the production of imported products where biological, chemical, and radiological contaminants could be intentionally added to foods being brought into the United States.

Finally, our fifth goal is to engage in proactive education programs. As we continue to examine emerging and existing food safety problems, it is important that we remember that reducing food-borne illness requires numerous interventions all along the farm-to-table continuum. We must consider all the strategies available to us, and education is one of them. That is why we continually look for the most cost effective ways to get the food safety message out to all food handlers from coast to coast.

Because we have the same safety requirements for the U.S. meat and poultry produced for export and for products entering the United States, our efforts have a worldwide impact.

Having safe food available to citizens around the world is vital to protecting global health. For this reason, we are fully committed to working with our international partners in ensuring a safe food supply worldwide.

We lead the U.S. Office of the Codex Alimentarius Commission, and we are actively engaged in the activities of this Commission.

We have made significant progress in achieving our five goals on both domestic and international levels. I am very optimistic that we can make a difference in breaking the cycle of foodborne illness outbreaks through working with our partners all along the farm-to-table continuum.

At this time, I would like to focus briefly on the initiatives of the fiscal year 2004 budget request, and indicate how this additional funding will help us reach our goals.

The \$42 million increase in the FY 2004 budget to strengthen the FSIS food safety program encompasses \$23.6 million in increases to cover raises in employee salaries and benefits, the costs of inflation, and FSIS's support of State inspection programs.

The other part of the budget increase covers \$19.3 million in initiatives to fund the hiring of more food safety inspectors, provide specialized training for the inspection workforce, increase microbiological testing and sampling, strengthen foreign surveillance programs, and increase our public education efforts.

Out of this additional funding, we are requesting \$1.7 million to include baseline studies on a variety of pathogens, which will allow us to collect data on the presence of microbial hazards. It is crucial for us to use this information in developing risk assessment models.

We are also requesting \$5.7 million to help us expand our in-depth HACCP training to all our veterinarians and inspectors. In addition, our budget requests \$4.3 million to increase our workforce to 7,680 in-plant staff by adding 80 new positions, which are necessary to meet the demands of industry growth.

Another request is \$4.5 million to provide additional microbiologists, chemists, laboratory technicians, and other personnel to increase our ability to identify adulterants in

meat, poultry, and egg products.

Additionally, our budget includes \$1.8 million to increase the number of foreign program auditors.

And finally, our budget calls for an additional \$1.5 million for food safety education, to help us spread the important message of safe food handling and preparation.

Mr. Chairman, I am committed not only to furthering our progress on our five goals to improve safety, but also to win this war on pathogens. I am truly optimistic that we can accomplish these goals from working with everyone who has a stake in the farm-to-table continuum, whether they are government, industry, consumer groups, or academia.

This concludes my statement, Mr. Chairman. Thank you for the opportunity to testify before you on behalf of the Office for Food Safety. I would like to give a couple of minutes to Dr. Garry McKee, who would like to introduce himself to you.

[The prepared statement of Dr. Elsa Murano follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

#### Opening Statement

Mr. McKee. Thank you, Mr. Chairman, and members of the Subcommittee. I am pleased to have the opportunity to provide a statement on the current status of Food Safety and Inspection Service programs, and on the fiscal year 2004 budget request for food safety within the U.S. Department of Agriculture.

I would like to take this opportunity to introduce myself, since this is my first time before the Subcommittee.

I have been with FSIS for a little over six months now. Although I come to FSIS from the Wyoming Department of Health, I am a proud Oklahoman at heart. I graduated from the Southwestern Oklahoma State University and the University of Oklahoma, concentrating on microbiology and public health. Having been in the public health field for more than 30 years, I am very comfortable with the work and responsibilities of FSIS, and am pleased to have Dr. Murano as a partner in our war on pathogens.

I have spent my entire career in this field, and I am devoted to administering FSIS under its protocols and scientific foundations. Public health is my number one priority. Thus, we are building FSIS into a recognized, credible, world-class public health agency that is a model for all other public health institutions.

What does a world-class public health agency mean? Frankly, it means we need to be the experts in improving the safety of meat, poultry, and egg products for the American people. We must also ensure that our food supply is safe and secure from bioterrorist attacks, intentional tampering, or other forms of adulteration.

While I believe that FSIS has made considerable progress towards these goals, more can be done to make this agency the top notch public health regulatory agency we envision it can be. The nearly 10,000 employees at FSIS are dedicated to achieving this vision.

To fulfill this vision, there are three functions of a

successful public health model that FSIS must implement.

First, FSIS must assess public health problems using science, such as surveillance, data collection, monitoring, and forecasting trends.

Second, FSIS must develop policies to reduce the risk of foodborne illness using science-based knowledge.

Finally, FSIS must assure the public that we are a credible public health agency through enforcement of established statutory and regulatory responsibilities.

While Dr. Murano has already provided an overview of how our budget request will help us carry out the first two functions, I would like to take a moment to focus on the third element of a successful public health model. I am deeply committed to all three of these functions, but I believe that an integral part of becoming a credible public health agency is to have a well-trained workforce capable of enforcing established statutory and regulatory requirements.

Thus, the FY 2004 budget requests an increase of \$5.7 million to enhance the agency's workforce training capability, which is my number one priority. This will allow FSIS to retool and expand its existing training programs by incorporating a public health focus and integrating scientific and technical principles, including Hazard Analysis and Critical Control Points validation with training on technical and regulatory approaches to inspection.

In addition to increasing the technical skills of our employees, the agency intends to use training opportunities to strengthen the management capabilities of our workforce as well.

Additionally, the agency plans to take the training opportunities we offer into the field and directly to our employees. The goal of this initiative is to provide employees a variety of training options, including the ability to take courses taught by university professors near their work sites.

FSIS plays an essential role in ensuring that the meat, poultry, and egg products that we eat are safe. While we mainly focus on the processing of these products, we have a responsibility to the American people to make sure that the entire food chain is strong. Food safety is a team effort, and we are always working to improve our role in the process. However, it requires that everyone involved in the process, from the farmer to the consumer, carries out his or her responsibility in ensuring that the food we eat is safe and safely prepared. The FSIS works with industry, consumers, and our sister agencies on a daily basis in the war on pathogens.

Mr. Chairman, thank you for the opportunity to submit testimony to the Subcommittee on how FSIS is working with Congress and other partners to become a first-class public health agency. It is my hope that, working together, we will take food safety in the United States to unsurpassed heights. I look forward to working with you to ensure that the vision of FSIS as a world-class public health agency is realized. Thank you.

[The prepared statement of Dr. Garry L. McKee follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

## LISTERIA

Mr. Latham. Thank you very much for your statements.

I would like to mention that the camera here today is with Iowa Public Television, which we all love at home. It will be filming for a premier farm show, hosted by Mark Pearson. We are glad to have you with us here today.

We spent a good deal of time discussing food safety at the Secretary's hearing two weeks ago, and I would like to continue that conversation today.

Specifically, I would like to address your agency's effort to combat Listeria contamination. As you know, Listeria is a particular problem since it can contaminate ready-to-eat products, and can, in some cases, be fatal. I know from our conversations that this is a top priority for you.

You just told us that you are working on the Listeria rule, that a risk assessment has just been completed as part of the rule-making process. You issued the Listeria directive to field staff this fall, and you are increasing testing for Listeria. Can you fill us in on how these efforts are going?

Ms. Murano. Sure. I would be very happy to do that, Mr. Chairman.

Listeria is an environmental contaminant. And that is how that organism ends up in these ready-to-eat products, basically, at a processing plant. If Listeria is in the environment of the plant, it can get onto food contact surfaces, and from there it can contaminate product after the product has been processed with a heat treatment, for example. The key to defeating this pathogen, is to find it where it lurks, the niches it may be harbored in inside the plant environment. Environmental testing is very important to help us find where the organism is, where it might be harbored, and where we can--by eliminating that niche, minimize the risk of contamination of product with this organism.

Two items that you mentioned, the Listeria directive and then the Listeria rule are what we have been working on. The Listeria directive is a directive to our employees. We drafted that directive knowing that when a directive is issued you are basically instructing your inspectors. It is not a rule, and it is not a regulation. It is simply an instruction to our inspectors. We drafted it in such a way that we would strongly motivate industry so that we can achieve a couple of goals.

Number one, that environmental testing would continue by industry, but that we would conduct it as well. And, secondly, because a lot of the industry conducts so many of these environmental tests already, that they would share that data with us.

We strongly believe that in the case of the outbreak of last fall, had we, the agency, known about the results that the plant had been getting over time, it would have been certainly very helpful to us in trying to ascertain a trend and maybe anticipate a potential problem. The directive was designed to do exactly that.

Now, the directive is in place, but we look at it almost as an interim fix, if you will. It certainly has been effective, I can tell you that. A large number of plants that did not share

their data with us before the directive are doing so now. So I see that as certainly a success.

But the real results are going to be realized through the finalizing of a rule that was proposed back in 2001. We needed to conduct a risk assessment that would help us figure out what the management strategies are that one could put into place to significantly reduce the risk of Listeriosis, of Listeria being in and ending up in product. So we are very happy that we have completed that risk assessment.

We had a public meeting where we discussed the risk assessment with interested parties. It is posted on the FSIS web site. In the meantime, we are getting that risk assessment peer reviewed, and we are moving forward as quickly as we can to develop strategies based on that risk assessment to complete the final version of the rule for minimizing risk based on the scientific evidence we were able to gather from that risk assessment.

So, I feel very confident that through these steps we will actually make a difference. We will be able, for the first time in many years, to address the problem of Listeria contamination in these ready-to-eat products.

#### LISTERIA DIRECTIVE

Mr. Latham. From the public health perspective, has your directive been as effective as you had hoped? Or what is your feeling?

Ms. Murano. Well, there haven't been any outbreaks that we know of. So in that sense we could supposedly claim victory. But to me, the way to look at it is that this directive has succeeded for us because it has helped us obtain data from plants that never shared it with us before, which is great for anticipating trends and potential problems.

So in that sense, it absolutely has been a success. The fact that we have not had any illnesses due to these products so far, certainly one could take credit for that, but I don't take credit very quickly. I would rather continue on this path and make sure that our inspectors are doing their intensified testing program, which is also part of the directive, at those establishments that either don't share data with us or are not doing environmental testing themselves.

Mr. Latham. I think there was some concern about the process that was used to develop the directive, and I would like to, ask you if public health was a deciding factor as far as changes that were made in the directive?

Ms. Murano. Absolutely, Mr. Chairman. A directive is, as I said before, an instruction to our inspectors. So we could issue a directive right now without seeking public input. It is a set of instructions to our inspectors. We don't have to seek public input. But we decided to do so in this case because of the great interest of a lot of our stakeholders on this issue. We certainly were very, very careful to determine what we needed to do in order to make this directive able to accomplish the goals of, again, making sure that environmental testing is taking place and that for those tests that are being done by plants, results are being shared with us as much as possible.

Most of it, frankly, came from my mind, so I can speak

personally on this. Certainly, this policy was developed with the great help of all the professional experts that we have in the Office of Policy and Program Development at FSIS. Absolutely, public health is the reason we developed the directive as we did, and is the reason we do everything that we are doing in policymaking. So, I appreciate your question.

Mr. Latham. Very good. Thank you.

Ms. Kaptur.

#### FSIS INSPECTION WORKFORCE

Ms. Kaptur. Thank you, Mr. Chairman.

Secretary Murano and Dr. McKee, the Congress, over the last several years, has seen fit to increase your budget by \$228 million. Back in 1997, the FSIS received an appropriated folding of \$574 million. And for the fiscal year 2003, we increased your funding over your request to \$759,759,000. The budget request this year is for \$797 million. So that is about a \$228 million increase over the last few years. At the same time, based on information that you have given us, you have actually decreased the number of inspectors from a level in 2001 of 7,645 inspectors to in 2002 a level of 7,560 inspectors, which is a reduction of 85 inspectors. At the same time, the recalls for class one health violations have more than doubled in our country to a level of, in the year 2002, 56 million pounds recalled by the Department of Agriculture. Incidentally, that figure for 2001 is a 29 million-pound increase over the year 2001. And the number of class one health violations has absolutely skyrocketed.

Now, what I don't really understand about this, because lives are at stake, how can we be increasing your budget, how can you be decreasing inspectors, and, therefore, the number of recalls increasing across this country? What are you doing with the money we are giving you?

Ms. Murano. Thank you for that question, Ms. Kaptur. Let me address a couple of the issues you have raised.

First, regarding the number of inspectors, I will let Dr. McKee elaborate a little bit more on this if he wants to.

We have changed the classification of our inspectors. The numbers that you quote certainly apply to inspectors, but because of the change in inspection system to HACCP that occurred beginning in 1998, we have modernized our inspection force. By that I mean that some inspectors are now consumer safety officers. And these are individuals who are highly trained HACCP experts. And when you add those individuals, there are over 100 of them, you will see that actually, if anything, we have increased the number of inspectors that we have.

These consumer safety officers are really where we want to go with our training. We would like nothing better than to have every one of our inspectors be as well trained as these consumer safety officers. So that when you count these consumer safety officers as inspectors, which they definitely are, we certainly haven't decreased the number of inspectors.

Ms. Kaptur. And are those individuals in-plant personnel?

Ms. Murano. They are not assigned to any specific plant, but they absolutely go to plants. And their role is, for

example, to conduct audits of HACCP plants. This is extremely important because it allows us to ascertain whether plants' HACCP plans are sound and are actually going to prevent contamination from E. coli O157:H7.

#### RATE OF RECALLS

To address the second part of your question: Absolutely, the number of recalls has increased. There is no question about that. In fact, if you look at the rate of increase of recalls, it is about 21 to 23 percent over the last few years.

When you consider that the real test of the effectiveness of programs is foodborne illnesses, and the Centers for Disease Control and Prevention has told everyone that the rate of foodborne illness has decreased by about, coincidentally, 23 or 24 percent over the same period of time, you have a dichotomy. You have recalls going up, but you have foodborne illnesses going down. This is a result of better surveillance systems and better testing for these pathogens.

The fact that we are finding these pathogens results in recalls. The vast majority of the recalls that take place have nothing to do with outbreaks, thankfully. That certainly is explained when you see the dichotomy of an increase in recalls while you have a decrease in foodborne illness.

Another explanation for the dichotomy can be the fact that we are seeing plants increase their reporting of contaminated product, when they call us and say we have contaminated product with an adulterant and we are going to do a recall. That has increased about 12 percent. So the increased surveillance and the increased reporting are certainly what have resulted in most of the recalls that we conduct.

Now, are we happy with recalls? As the foodborne illnesses go down we would like to also start seeing a downward trend of those recalls. That will be achieved as we implement programs such as auditing HACCP plans, which will be the preventive measure, as opposed to catching product that is contaminated once it has reached the retail market, which is certainly not where we want to be.

Ms. Kaptur. Well, I know that the time has expired on this round for me, Doctor. But I would like to ask unanimous consent to place in the record a New York Times article from last December entitled ``Plant's Sanitation May Have Link to Deadly Bacteria.''

Mr. Latham. Without objection.

[The information follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF]

Ms. Kaptur. And in the second round, I will be asking about the Listeria outbreak at the Wampler plant in Pennsylvania and the Department's rather hesitant approach to what has now already resulted in the deaths of eight Americans and why the Department was not more aggressive in cleaning up that situation, when in fact one of your own inspectors was aware of what was occurring inside that plant. But we will do that on the second round.

And I thank you, Mr. Chairman.



Mr. Latham. Thank you.  
The gentlewoman from Missouri.  
Ms. Emerson. Thank you, Mr. Chairman.

#### HOMELAND SECURITY

Hi, Dr. Murano. How are you, Dr. McKee? Obviously, the mission of the Food Safety Inspection Service was not changed by the events of September 11 and the ongoing crises around the world, but it did expand your scope. And today, biological and chemical threats to our Nation's food supply are a major concern. Can you tell me what steps your department is taking to address these issues?

Ms. Murano. I would be happy to.

Well, certainly after September 11, and I am sure Secretary Veneman spoke to this issue when she had her hearing here, the Department took specific steps in terms of organizing itself with its own Homeland Security Council to protect agricultural production, as well as food safety. My involvement has been, as makes sense, food safety. And the activities that FSIS has engaged in, in food safety, to prevent and be able to respond very quickly to intentional attacks on the food supply, have been very extensive.

For example, one of the first things that they did at FSIS was to establish an Office of Emergency Preparedness, a Homeland Security Office within FSIS itself. As I alluded to in my testimony, we have conducted what we call vulnerability assessments to see what agents are most likely to be used and what products are most likely to be attacked. And we have also been conducting a threat assessment, to determine the points along the production processing where we are the most vulnerable. These assessments are extremely important.

Secondly, we have been engaging in simulation exercises, not only just internally, but also with the Food and Drug Administration, CDC, and so forth, which have been extremely valuable. Because only when you are in an emergency situation where you have to make a decision, do you really understand the scope of the problem, and also you really find your weaknesses in terms of how quickly you can communicate with other agencies in responding to a threat. These exercises have been extremely useful, and we continue to do them.

Our laboratory capabilities have been enhanced. We are now able to detect certain threat agents that we normally were not looking for, and that is definitely a necessary capability that we have. We participate with FDA on something called eLEXNET, which is a laboratory network. And so if there is a surge of capacity that is needed to detect a certain agent in a certain food, whether it is meat or poultry, all of us can help each other. So that is extremely important.

We have also used supplemental funding that was supplied back in 2002 to hire 20 import surveillance liaison inspectors. And these are individuals who are located in specific ports of entry, and their expertise is to focus on Homeland Security and to coordinate better with Customs and APHIS. The APHIS surveillance function is now in the Department of Homeland Security.

FSIS has put together a booklet that outlines all of these

activities very well. One important activity that we certainly engaged in at FSIS was to develop guidelines for industry. It is very, very important to do that, because that is where a lot of the emphasis needs to be placed in terms of securing the businesses so that unauthorized individuals can't just go in. We have copies of that as well in English and Spanish. So I can certainly provide that to you and any other member of the committee.

#### SAFETY OF IMPORTED PRODUCTS

Ms. Emerson. Thank you very much. I would like to see that. I am sure all of our colleagues would as well.

Obviously, we need to scrutinize or better scrutinize the products imported from other countries. Have you all increased efforts to prevent a threat from an imported product?

Ms. Murano. That is very, very important. And we pride ourselves, frankly, on the fact that our import equivalence system does that, whether it is worrying about intentional or traditional contaminants to the food supply.

As you know, Ms. Emerson, the system is based on three components. One is that we go to the countries that want to export product to the U.S. and we ensure that they have an equivalent inspection system. That is very important, because inspectors are at every meat and poultry processing plant in this country every day that that plant is open. We require that other countries who want to export meat or poultry to us have the same system.

Secondly, we have import facilities, about 145 of them, where we do reinspection of product as it comes into the country.

And the third thing we do is conducting, at least once a year, audits of these countries to make sure that they are still equivalent to our inspection system.

So that in itself has helped us tremendously, because it is the infrastructure that we needed in order to be able to control as best as we can the intentional contamination of foods that come from other countries.

Ms. Emerson. Well, I would love to ask a follow-up, but I am out of time. So, thank you very much.

Mr. Latham. You are correct, you are out of time.

Mr. Boyd.

#### RELATIONSHIP BETWEEN FOODBORNE ILLNESS, HACCP, AND RECALLS

Mr. Boyd. Mr. Chairman, you are tough.

Thank you, Mr. Chairman, and Dr. Murano and Dr. McKee.

I just want to say I know we hear a lot of discussion about statistics of foodborne illnesses and recalls in HACCP. But I want you to know that this is one member that is very heartened by what we see, by the facts, by the statistics. I believe that we have the safest food supply in the world, and I believe we are making it even safer. I say that because I have visited many of the processing plants in the district that I represent and seen the detail of how you are implementing this new system, and the statistics bear that out.

My question really goes to this. And I think you spoketo

this earlier. But you have got a decline in foodborne illnesses and you have got an increase in recalls. You have got a HACCP system which seems to be working well. Do you think there is a correlation between the decline in foodborne illnesses and HACCP and the aggressive nature of the recalls? I think you addressed this earlier, but I wanted to make sure that we went on the record.

Ms. Murano. Absolutely, sir. I do. And CDC also does. CDC, in their own report, has said that they attribute the decrease in foodborne illnesses to the implementation of HACCP. So you don't have to take my word for it; you can take their word for it. I think if we weren't doing recalls, one could argue that perhaps we are not doing our job. The fact that we are aggressively pursuing contaminated product I think is certainly evident in these numbers of recalls.

As I said before, however, doing lots of recalls is not our goal. Public health is our goal. And so what I expect will happen is, because of our policies on E. coli O157:H7 Listeria and Salmonella, we will see a decline in the number of recalls to match the decline in the foodborne illnesses.

Mr. Boyd. I think the point that Ms. Kaptur was making and others may make on this committee is that we ought never to be satisfied.

Ms. Murano. Right.

#### FOOD SAFETY TECHNOLOGIES

Mr. Boyd. We can always make the system better and the food safer, and my next question really speaks to that. Do you think that your agency can be a catalyst for developing new technology and implementing new technology and working hand in glove with the industry? Does that conflict with your work as a regulator? Would you speak to that briefly?

Ms. Murano. I sure would. Thank you for that question.

I am a firm believer that new technologies and even traditional technologies that will kill the pathogens is what we need to really work on, because that is what we want to do. Otherwise, we will always have pathogens in raw products. That is just because the micro-organisms are all over nature.

We at FSIS don't want to be a stumbling block to the approval of safe technologies that are going to work in enhancing food safety such as new decontamination rinses, organic acids, whatever the technology might be. Industry and academia end up doing most of the developing of these subtechnologies. We need to be able to fast track, whenever possible, the implementation of these technologies so that we can put them into place and not be waiting years and years to allow industry to use safe technologies that are going to enhance food safety.

Mr. Boyd. So your answer would be that you believe that you can be a catalyst, and you don't think that conflicts with your role as a regulator?

Ms. Murano. Correct.

Mr. Boyd. Thank you, Mr. Chairman. And I will wait for my next question on the second round.

Mr. Latham. Thank you, Mr. Boyd. And I think you set a new record by not going over time. That is very good and I appreciate it.

Mr. Nethercutt.

#### U.S. FOOD SAFETY

Mr. Nethercutt. Thank you, Mr. Chairman.

And I want to welcome the panel and the team behind you, and appreciate your commitment to the agency. And I also agree with Mr. Boyd's comments. I think this all has to be put into perspective, this issue of food safety. And I know we can't ever be satisfied with any deficiencies. But in terms of our record in this country versus the record of other countries around the world, how would you say we rank? And in what--maybe you can try to sort of quantify how you look at our food safety record and our food safety standards and protections relative to other countries around the world.

Ms. Murano. Surely. It is a difficult question to answer, because when you try to look for the data on the incidence of foodborne illness from other countries, a lot of countries don't do a very good job reporting those at all. There are several countries in Europe that certainly do. When you look at the incidence of, for example, Salmonellosis, or Campylobacteriosis, per 100,000 people, we see that the rates of those illnesses in this country, in the United States of America, are a lot lower than those countries. And certainly, when you consider the developing countries, that is not even a question. We obviously have a much better record of food safety.

You are quite right. That is not something that necessarily we should be able to rest on. We do have the safest food supply in the world. And one might argue maybe there are some countries, Australia, for example, that say well, we have just as good a system as you do, United States. And that is fine. So, at worst, we have as good a system as the best countries, and at best we certainly have the best food supply in the world.

But we are not resting there. There is always room for improvement. And this is our goal, to continually work to implement sound science in order to absolutely do the best that can potentially be done to enhance food safety.

Mr. Nethercutt. Well, that is great. And let me ask you this. My sense is we consume in this country probably--is it roughly a billion meals a day? Would that be fair to say?

Ms. Murano. I think I have heard that, and I believe that is probably pretty close. So when you consider the number of illnesses, certainly it is low considering the number of people and the number of meals that are consumed. But again, to us, we want to have the incidence of foodborne illness as low as it possibly can be. We are not going to relent.

#### FSIS BUDGET REQUEST

Mr. Nethercutt. No, I agree. Now, let me ask you this. With respect to your budget requests and the President's budget, are you satisfied that the budget requests that you are making to the Congress and that you are asking us to support here in the area of food safety and inspection services, are you satisfied that you can maintain or improve, and even improve, the safety

record of our food system beyond what we have had in the past? Are you satisfied that it will meet all your needs, that we are not deficient in any respects with respect to the job you have to do and the money you need to do that job?

Ms. Murano. I believe so, and I will tell you why. As Dr. McKee said in his comments, a lot of the money that we are requesting has to do with training of inspectors. And those are the men and women who are in the front lines who are going to implement and are implementing the policies that we write here in Washington, D.C. So for them to be as effective as possible can only improve food safety.

Secondly, we are requesting money for conducting baseline studies to ascertain the prevalence of various pathogens in the food supply throughout the country and according to seasonal differences and geographic differences and so forth. And that is the foundation for the science of risk assessment, which is what we base our policies on. So we can only get better. Absolutely. I am convinced of that.

#### U.S. FOOD CONSUMPTION

Mr. Nethercutt. Let me finally ask you. What proportion of the foods that are consumed by U.S. citizens are meat and poultry compared to other food products, fruits and vegetables? Have you done any analysis on that? What would you say? Maybe-- and I am not trying to pin you down specifically on numbers, because that is hard to quantify, I am sure. But based on percentage, for example, is it two to one? Is it less than that in terms of meat and poultry versus fruit and vegetables or prepared foods?

Ms. Murano. I don't think I can answer that question now, but I can certainly find that out for you. But I will tell you that consumption of meat and poultry products is very high, and that is why we have to do the best job that we possibly can. And knowing there are other products out there that are not meat or poultry that also cause foodborne illness is certainly a cause for concern of mine, even though I can't really do anything about it because they are not under my jurisdiction. But I certainly urge everyone to realize that, when you talk food safety, it is everything, it is fruits and vegetables, it is seafood, it is eggs, it is meat, and it is poultry. And a lot of the safe food handling practices that we must follow apply to a lot of those foods as well.

[The information follows:]

#### U.S. Meat and Poultry Consumption

According to USDA's Economic Research Service, meat and poultry comprise 13.2 percent of total calories consumed in the U.S. Nine percent of this total is attributable to red meat consumption, while 4.2 percent comes from poultry consumption.

Mr. Nethercutt. Thank you very much for your testimony. Thank you, Mr. Chairman.

Mr. Bonilla [presiding]. Thank you, Mr. Nethercutt.

I would like to take a moment to thank Mr. Latham for filling in for me at the last moment. We had to make a change

due to an event I had to attend this morning at the request of Chairman Young.

And I also would like to compliment the good work that you have done, Dr. Murano, along with your great team Dr. McKee, thank you for being here, and Steve. With the knowledge and expertise that you bring to the table every day at your job, we are very grateful for what you do.

I know Mr. Latham also addressed the question on Listeria and how that is progressing and how the directive is progressing, that you answered the question very thoroughly and we appreciate that as well.

So, without further adieu, I will now yield to Mr. Farr.

#### MOBILE SLAUGHTER UNITS

Mr. Farr. Thank you, Mr. Chairman. I just have one question because I have got another appropriations meeting I have got to be in. It really goes to Dr. McKee.

I know my staff chatted with you yesterday regarding an existing inspection policy for cattle slaughter, for meat slaughter, essentially the existing policy prohibits the ranch-based mobile slaughter units, units that the Department of Health developed on I know Lopez Island in Washington, Mr. Nethercutt's State, and in the south county of Monterey, which I represent. And I just want to know that you can get back to us on how the Department can make these operations cost effective. I mean, what can be done to make them work?

As you know, ranchers can slaughter their own cattle for their own consumption. But what is happening to a lot of ranchers in America is they are beginning to be part of the eco-turf, farm-agro-tourism, having people come and stay there and work. Then that food can't be sold to them when they leave as they could if they harvested vegetables or produced wine or things like that. And the effort was to try to make this kind of small business friendly. And I would hope that you could look into those policies and see how that might turn out and let us know as soon as possible so that these operations can be cost effective.

Mr. McKee. Mr. Chairman, Mr. Farr, we will look into that. I talked with your staff as you mentioned, yesterday. We will follow up on that. The main focus will be to make sure that we can protect the public health regardless of the numbers. And we certainly want to accommodate operations as best we can, and we will certainly get back to you with an answer on that.

[The information follows:]

#### Mobile Slaughter Units

FSIS does not have any regulatory or statutory prohibition on mobile cattle slaughter facilities. The owners would need to apply for a grant of inspection through the District Office. The facility would be required to meet the same regulatory requirements as any other cattle slaughter and processing facility. Examples of these requirements are HACCP plans, SSOP plans, sanitation performance standards, potable water, and local waste discharge. USDA staffing of such a mobile facility is often difficult logistically when there is a shifting

location in remote areas, for example, where the mobile slaughter unit moves over a 150-200 mile radius. If the mobile slaughter unit is used intermittently, that would entail shifting resources from other food safety responsibilities. In other words, it can be problematic to provide inspectors to these remote locations unless there is an established operational schedule. Public health is FSIS' number one priority, and thus we must utilize our employee resources in a way to best achieve this goal.

Mr. Farr. Thank you very much.

Mr. Bonilla. Thank you, Mr. Farr.

Mr. Goode.

#### FOREIGN AUDITS

Mr. Goode. Thank you, Mr. Chairman. I, too, want to echo what several others had, and say to Dr. Murano and Dr. McKee and those at FSIS, I think you do a good job. I feel very safe eating U.S. food.

In your testimony, you mentioned that you do random inspections. Even though--that is on things that come into this country. And you have also checked out what other countries do before their food gets here. And you base that on compliance history. Is it the history from the random inspections, is it the history in the country from which the food comes, or is it a combination?

Ms. Murano. It really is a combination. Because when we first go to a country that wants to export meat or poultry to the U.S., we do a thorough inspection of plants and laboratory capabilities, because they have to do the same things that we do. They have to basically mimic what we do here. And so the history of those audits absolutely comes into play, because we have what we call ``delisted plants'' based on when we go back and do an audit and find that things have kind of fallen by the wayside. Absolutely, we delist them, which means we take them off the list of approved plants and they have to start all over again to convince us that they have improved their inspection system.

When product comes here and we inspect the shipments, if we find problems with those shipments, that absolutely turns on a red light. And even if a country, for example, may not be on the schedule to be audited at that time, those kinds of situations prompt an audit. It is all of the above, to be honest.

Mr. Goode. Let me ask you somewhat of a follow-up. Could you just say over the last 3 years, to the best of your knowledge, which would be said the top three countries that haven't had any problems?

Ms. Murano. Well, I would say Canada, New Zealand, and Australia.

Mr. Goode. Okay.

Ms. Murano. And we are travelling to New Zealand actually this Friday to attend a meeting with these countries. They do have systems as good as ours.

Mr. Goode. Can you tell us who is in delist status, or would you rather not?

Ms. Murano. Well, I would rather not. But I can tell you that there have been countries in the past that have been on the brink and they have gotten their act together. And that is certainly very reassuring to us. Because the kiss of death is to be delisted by the United States. We represent the gold standard to other countries. If a plant gets delisted by us, obviously, they can't sell to us anymore, but they are going to have a tough time selling to anybody else.

Mr. Goode. All right. Thank you, Mr. Chairman.

Mr. Bonilla. Thank you, Mr. Goode.

Ms. DeLauro.

#### SINGLE FOOD SAFETY AGENCY

Ms. DeLauro. Thank you very much, Mr. Chairman, and welcome, Dr. Murano, it is good to see you again.

Let me make a very quick comment on the single food agency and then put those questions in the record so I have time to move to some other areas. You know what my view is about it, creating a single consolidated food safety administration and Congressman Latham also shares that view. I think something that you said before is critically important; that what you view as the mandate is that whether it is meat, poultry, fruits, vegetables, that all of it has to be considered.

There are lots of different pieces here. We need to consider having it in one place so that, in fact, we can have a more effective way of ensuring a safe food supply.

#### RECALL DISTRIBUTION LISTS

Let me move to two other areas. One is recall distribution lists. Last July USDA implemented a rule ostensibly to allow State health departments to learn where recalled contaminated meat is being sold. During last year's recall of E. coli: O157:H7; tainted ground beef from a Colorado plant, the State public health officials that wanted to inform their citizens where the contaminated product was sold were not able to get product distribution information from the USDA. A Denver Post article noted, "USDA," and I quote, "will give lists of the companies that purchased and distributed the meat only to States that promised not to share it with anyone, not even consumers." This seems, in my view, counterintuitive as consumers may urgently need to know if that meat in their refrigerator or freezer came from an implicated product.

Is there any barrier, legal or otherwise, to the Department's release of their information to any State public health official that is responding to a recall, and if so, would you support legislation to allow USDA to tell States where tainted product has been distributed so that they can inform their consumers where the recalled product was sold?

Ms. Murano. Thank you, Ms. DeLauro, for that question. This is such an important issue. I have certainly done a lot of homework on this. I am not a lawyer, I will tell you right now. I am a microbiologist, so I have relied on our legal team to let me know what is and what is not possible.

As they tell me, there is no legal impediment for us to share that information, the distribution list. The issue is that



we, as a public health agency, want recalls to take place as fast as possible, and if we need that information, and a plant refuses to give it, there is no legal impediment. We seek a subpoena, and we get that information, but then that takes several days to accomplish.

Plants will readily give us that information if we don't share it, and they will give it to us in minutes, so it really is an issue of how quickly do we need that information so that we can monitor the implementation of our recall, which is our role, and for State departments of health to do the same. If we obtain that information from these plants and we give out that information, which to them is of commercial value, that sharing is not going to take place anymore, and we are going to have to go after that information through subpoenas, which again is going to delay a recall, and when it is people sick and perhaps in even worse situations than just ill, that information is critical to be available very, very quickly.

I have thought about this a lot. If consumers had the names of retailers and so forth, certainly in some instances that is something that would be beneficial. But I did learn from the ConAgra recall that happened last year that a lot of the entities in their distribution lists were not supermarkets, but were distribution centers and so forth, and that information would not be helpful to a consumer because they don't buy at those places.

We have always told people whenever there is a recall, and it is in every one of our recall release sheets, that they need to take their product to their point of purchase. They don't need to be worried about whether it was from the place they bought it or if it wasn't from the place they bought it.

Ms. DeLauro. Let me ask you, Dr. Murano, because my time is going to run out very soon. Would you support legislation that would allow USDA to tell States if a tainted product has been distributed so that we can inform consumers and make consumers a part of this process? The distributor knows it, the U.S. Government knows. The only folks that are in the dark are the consumers. Yes or no, would you support the legislation, so I can move on to another question?

Ms. Murano. I wouldn't, because right now we have that legal authority. We just don't utilize it because it takes days for us to obtain a subpoena that is going to allow us to get that information, and I don't know any legislation that would prevent a company from taking whatever steps they need and then having us have to get a subpoena anyway.

Ms. DeLauro. Maybe what we can do is as a law-making body is to try to figure a way in which we can provide you with some legal authority that would lessen the amount of time involved. This is not about a company's bottom line. This is essentially about the safety of the people in this Nation, and clearly the folks in Colorado are very, very concerned about the inability to get ahold of that data authorized to be able to inform their citizens to allow their public health officials to do the job that, in fact, they were instructed to do on behalf of their constituents.

I will put a question in the record about the Nebraska beef issue. Thank you.

[The information follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Bonilla. Thank you, Ms. DeLauro.

Mr. Kingston is also submitting questions for the record. He had to attend another hearing as well.

Mr. Bonilla. Mr. Latham, I appreciate your asking my question earlier on Listeria, and I yield to you for your series of questions.

Mr. Latham. Thank you very much, Mr. Chairman.

I just want to personally thank you for the great job that you do. With your background at Iowa State, I would expect that to be the case.

Ms. Murano. Yes, sir.

#### SINGLE FOOD SAFETY AGENCY

Mr. Latham. Ms. DeLauro brought up an interesting proposal that we have talked about for several years, and that is the consolidation of food inspection activity into one agency to ensure the safety of our food for consumers. I would really like to get your opinion for the record as to what you think maybe would be the pluses and minuses to that type of an entity? Apparently I think last year there was some testimony about concerns with cooperation and communication between APHIS and FSIS. I would really like to hear your opinion on the single agency.

Ms. Murano. Sure. I will try to be concise. To me if I learn nothing else after coming to Washington and being here about a year and a half, I have realized that this place runs based on relationships and to me, whether we are in one agency or many agencies, it is the relationships of the people that have to work together to get something done. I know of agencies that are within the same department that don't see eye to eye, don't talk to each other. We have better relationships with some of those agencies than they do with other agencies within their same department.

So my view is that it is relationships that work, and that is why I am very glad to say that I have worked very, very hard, and Commissioner McClellan certainly has worked very, very hard, to establish a good relationship. We have done the same to establish a relationship with CDC. We have a liaison person that is housed at CDC all the time, but who's an FSIS employee, for example.

So to me it is a question of relationships, and rearranging the offices and so forth is not necessary to accomplish that if you do have good relationships with these agencies.

Mr. Latham. Do you see any problems with APHIS moving to Homeland Security--problems associated with communications between APHIS and FSIS? Are you communicating well with APHIS?

Ms. Murano. We are, and I will tell you I want to thank the committee, because the appropriation we received for 2003 funded a computer system that is designed to make it very seamless between ourselves, APHIS, the quarantine people who have moved to Homeland Security and Customs. So if anything, because of that software, we are going to be able to communicate better than ever. It doesn't really matter to us where they are. If anything, now it is going to be better than

it has been because we are eliminating that technological barrier where we hadn't been communicating as well as we should have on what foods were coming into this country that Customs or APHIS would be looking at. There were a few potential gaps, and we have been able to, through this new technology, fill those gaps and be able to be very seamless with them.

Mr. Latham. You don't see any problem with----

Ms. Murano. I don't.

Mr. Bonilla. Thank you, Mr. Latham.

Mr. Hinchey.

Mr. Hinchey. Thank you, Mr. Chairman.

#### FUNDING FOR ADDITIONAL SCIENTISTS

Dr. Murano, it is nice to see you, and I, too, want to thank you for the job that you do and for the sincere commitment that you bring to your responsibilities and the way you carry them out.

You are requesting some additional money for the Food Safety and Inspection Program. I think it is about \$42 million. About half of that is going to go to required increases in salaries and things of that nature, but you are asking for, among other things, \$4\1/2\ million for some additional microbiologists, chemists, laboratory technicians and others. I am wondering if you can tell us how many of those additional scientists you will be able to hire, and what kind of work that they will be doing, and where they will be doing it.

Ms. Murano. We are requesting 26 staff years with that money. And the reason we need these folks is that obviously, for example, with our added responsibilities to implement the Listeria directive, for example, our folks are going to be doing and are already doing more testing than they were doing before. We are doing environmental testing of plants for Listeria that we weren't doing before. Also, Homeland Security is another issue because we need to be able to test for certain agents that we never had to worry about before.

Mr. Hinchey. How soon would you be able to have them on line? Could you tell us?

Ms. Murano. Well, I don't think I can answer that question. I don't know if Dr. McKee wants to address that, but we can certainly get that information to you. Our Office of Management is in charge of human resources and certainly we impress upon them always how quickly we need to fill positions, whether it is these or others, and it is because of homeland security, to be honest.

[The information follows:]

#### FSIS Staffing

Once the fiscal year 2004 appropriations for FSIS is signed into law, the Agency will advertise these 26 positions and begin interviewing qualified applicants. The Agency expects that it will take three to six months to fill these positions with qualified individuals.

#### FOREIGN PROGRAM AUDITORS

Mr. Hinchey. You have also asked for \$1.8 million for foreign program auditors. I wonder if you can give us some more detailed information about that. Where will they be, and in what countries are they going to be located?

Ms. Murano. These will be seven staff years.

Mr. Hinchey. Seven staff years?

Ms. Murano. Seven. Yes, sir. It is not necessarily that they are going to be housed in other countries. They may or may not be, depending on what needs we ascertain, but this is so that we can enhance these audits that I was talking about earlier because we need to do these on as regular a basis as possible to make sure that when we say a country has the equivalent system as ours, we say that with certainty because we have been there as often as possible.

Right now we do those audits about once a year, and with some of these countries we need to do it more often than that.

Mr. Hinchey. So these people will be flexible; they will just go where you think the need is at any given moment?

Ms. Murano. Absolutely. Yes, sir.

#### FOOD SAFETY EDUCATION

Mr. Hinchey. You are also asking for an increase of \$1-\1/2\ million for food safety education. Can you tell us what kind of new public education efforts will be undertaken with that funding?

Ms. Murano. Sure. We need to make sure that we address what we call underserved groups with messages of food safety. We have done a lot of work with pregnant women and Listeriosis, which we are very proud of, but there is a lot more to do. There is a great need to address food safety education among minority groups, for example, Spanish-speaking groups. We need to publish a lot of our materials in Spanish and in a variety of languages. The elderly certainly is a population that is increasing in the United States, and we need to be able to serve them as well with safe food handling messages.

Mr. Hinchey. So will you use public media to reach out to these people?

Ms. Murano. We intend to use public media. We intend to go through the country for different events, for example, the Macy's Thanksgiving Day parade, and whatever we can do to promote the message of food safety. I have personally done several food safety events in the country, and I am finding that what attracts the attention of the people and the media is when you have a celebrity with you. It is not just good enough for me to show up, apparently.

Mr. Hinchey. I can't imagine why.

Ms. Murano. I can't either. We did an event with Miss America. We are getting ready to do another event with some country music artists. So that is part of the strategy to get that message out.

#### USER FEE PROPOSAL

Mr. Hinchey. Let me just ask you about the budget. You have a proposal to collect \$122 million in user fees from slaughterhouses, processing plants and other facilities, but

that amount comes from programs that are not authorized. The Agriculture Committee has refused to authorize the collection of those user fees, and the full Appropriations Committee has never allowed the collection of fees without an authorization from the authorizing committee. So I am wondering how big a problem that is going to cause for you. You have written \$122 million in your budget, but it is not going to materialize.

Ms. Murano. Legislation would need to be enacted to collect those \$122 million in user fees. Authorizers need to do that. We appeal certainly to this subcommittee that if user fees are not authorized, that you will make sure that we get that money one way or another. We count on you for that.

Mr. Hinchey. Thank you, Doctor.

Mr. Bonilla. Thank you, Mr. Hinchey. If you ever do an event with Sarah Michelle Gellar, let me know. My teen-age son would love to meet her.

Just to advise Members, we probably will have a series of votes at about 5 after 11:00. I don't believe we have any questions remaining on our side of the aisle, so if we can conclude by then, and if not, we will consider coming back after the votes if there are more questions.

Ms. Kaptur.

#### LISTERIA RECALL

Ms. Kaptur. Thank you, Mr. Chairman. These are extraordinarily important witnesses to us, and I wanted to focus in on the subject I brought up on the first round, and particularly the Wampler plant in Pennsylvania. And we could take other plants, but in view of the time, I have to select one example here. What troubles me, Dr. Murano, is from what I have read--and I ask that this New York Times article be placed in the record.

[The information follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF]

Ms. Kaptur. There appears to be very judicious work being done by at least one inspector at the Wampler plant, who then became engaged in bureaucratic wrangling with another inspector at the plant, and even though the first inspector issued alerts about the plant in August, the Department took no action until October 13.

Several weeks ensued, and the sanitation problems that he found included mold and algae on the walls, condensation dripping from the duct work over the processing tables, which were enough to justify the closing of the plant. And this particular company is the Nation's second largest poultry company. In addition, it appears that the Listeria that caused the deaths was found in the drains.

And my question really is here you have got somebody out there. It takes a lot of guts. People get intimidated very easily, don't they, and particularly people who don't have the top job. Here you have got somebody. I come from a family where our relatives worked in slaughterhouses. I know what that work is like. It takes guts for somebody on the line who is an inspector or a worker to speak up.

So here is somebody who is saying, something is wrong in this stinking plant, and it went on for weeks and weeks and weeks, and I don't know which Americans have lost their lives. I know there have been eight already, and there have been at least 54 illnesses, but the fact that your testimony doesn't even mention these, whether it was the Wampler plant or the ConAgra plant, even to reference them, is shocking for me this morning.

Twenty-seven million pounds recalled. The inspector general is now looking into this. We have all these regulations. How is it possible that USDA didn't listen to one of its own inspectors? What the newspaper article says is--well, there were some records that the company had, but they were put in a drawer. The inspector says, we are not allowed to take records out of a company and Xerox them or analyze them. Please, what happened within the USDA that allowed lax enforcement, that has now killed Americans and injured dozens and dozens of people in this country? What went wrong?

Ms. Murano. Ms. Kaptur, this is a matter that is extremely serious and very important to me. The reason OIG is investigating this is at our request. I requested OIG to investigate this as soon as I found out there was an inspector who was claiming he had not been listened to. I talked to the district manager of that district, who has attested to the fact that he said to the inspector, do what you need to do, shut down the plant, do whatever you need to do, you have the authority. That inspector certainly also could have reported this to OIG.

So OIG is going to get to the bottom of it, and it is so serious to me that if OIG finds that inspector was prohibited from doing his job in any way, we are going to deal with that. I will assure you of that. So we requested OIG to do this investigation.

I do want to tell you that the question of the records is why we put in place the Listeria directive, because it is so important for us to see the testing records of those plants. Since we don't have a rule in place yet, we designed that directive so these plants will share that information with us. I am happy to tell you that a couple of hundred plants that never shared that data with us are now sharing because of the directive.

I share in your concern over people who are ill. This is what drives us. I have pictures of some of these families' members in my office, and I don't want to tell you that in some self-serving way. I just want to tell you how much this personally means to me and assure you that OIG will get to the bottom of it, and we will take action, whatever is necessary.

Ms. Kaptur. Are the two inspectors in question still in the employ of the Department of Agriculture?

Ms. Murano. As far as I understand, they are.

Ms. Kaptur. All right. In the end I don't think that inspectors should be the ones who hold the majority of responsibility here. The company is the entity in this equation that didn't do its job; and according to the data we have, that the two districts with the highest percentage of no documented HACCP violations included the Philadelphia office, where 64 of the plants were listed as having no violations, that is the

Wampler's district, and the Boulder, Colorado, office where the ConAgra plant is located that had 59 percent of the plants having no listed violations.

I think that the Department of Agriculture ought to start doing its job. There has been a lot of compliments for lives that have been saved and for a food safety system that works better than most in the world, but the fact is we have the highest number of recalls that we have ever had in Class I violations in this country, nearly 100 now, 98, and we have had the largest amount of recalled meat product in the history of this Nation.

Somebody isn't doing their job, and we have provided the money for inspectors. We respect the inspectors that are trying to do their jobs out there, but somebody is impeding the process, and these companies had better not be left off the hook. I don't get a dime from them in my campaign fund. So my heart is with the families and with those inspectors that are trying to do their job, Madam Under Secretary, and I would hope you would support those inspectors that are trying to do their job.

Ms. Murano. I absolutely do, and I will tell you part of our reorganization in FSIS is to establish a program evaluation review function. It is a quality control office that never existed before. So that is how strongly I feel about us being able to make sure that if there are problems in districts, that we find out those problems and fix them.

Mr. Bonilla. Thank you, Ms. Kaptur. And just for the record, so there is no question, we have the safest food supply in the world, not just compared to most of the world.

Mr. Boyd.

#### EFFECT OF BUDGET REDUCTIONS

Mr. Boyd. Thank you, Mr. Chairman.

Mr. Chairman, I knew this lovefest we were having was too good to be true. But you know, Mr. Chairman, ever since I have been on the committee, I have seen Mr. Dewhurst sit there. He has probably served in his position longer than the other folks, and I don't think I have ever seen him asked a question. So I want to ask him a question, and it is a very serious question: Mr. Dewhurst, I was reading Congress Daily this morning, and I noticed that Chairman Jim Nussle has said that he is considering a 1 percent reduction in both discretionary and mandatory programs below the enacted fiscal year 2003 levels; certain programs may be off limits, namely Social Security, unemployment benefits, defense and homeland security but USDA will probably not be protected. I assume that if you take those off limits, that would increase the percentages significantly on the ones that were on limits. Those programs in the Ag bill would include such mandatory programs as WIC, food stamps, farm programs, in addition to all the discretionary work that we are talking about.

My question to you simply, sir, is what kind of chaos would this create in the department across the board in the budgeting process? You have been here a long time and you know this process well. What kind of chaos would it create there in this Congress, and not only there, but out in the country? Would you

care to comment?

Mr. Dewhurst. Sure. Really you have two kinds of problems. If you are talking about the current fiscal year, fiscal year 2003, you really have two kinds of problems. One is uncertainty. We have a fiscal year 2003 appropriations bill. It had a .65 percent rescission for most discretionary programs built into it, including the FSIS, and we are working our way to figure out how to deal with all that. And so anytime there is any discussion of further kinds of changes like that, it creates uncertainty in the bureaucracy, and you don't know whether to hire people or what you should do, because you may lose some money down the road.

The second thing that comes into the question is whether or not at the end of the day your funding would be inadequate if you had to absorb such a rescission, and without knowing the details, I don't want to make too many judgments about that, but programs like WIC, food stamps, child nutrition, and farm programs and so forth are performance-driven entitlements essentially, and this administration and the previous administration tried very hard to make sure there is enough money to help the people who need help under those programs. In the labor-intensive programs, the biggest cost is salaries and the pay increase and so forth that is built into the law, and to the extent that you have to absorb further reductions, it means you essentially don't have enough money to meet those costs, and therefore you have to reconsider your hiring actions and so forth. But this fiscal year has been very difficult from our perspective simply because the appropriations bills were so late, and at this point further uncertainty will simply make it more difficult.

Mr. Boyd. Thank you, Mr. Dewhurst. You did a good job of answering the question. I didn't know whether Dr. Murano was going to punt to you over there.

Mr. Dewhurst. She doesn't want her budget cut.

Mr. Boyd. I understand. We don't want that either.

I just want to say that I hope that this Congress, this House, will reject this notion, and it is an obvious attempt by the budget Chairman to follow a rule which my Blue Dog counterparts and I agree with, and that is pay-go. It is a very meager attempt at pay-go. Of course, the pay-go in this case is for the \$700 billion or \$1.6 trillion or whatever it is tax cut that we are dealing with.

But thank you very much, and I am glad we got to hear from you to answer the question. You handled yourself very well. Thank you.

Mr. Bonilla. Mr. Dewhurst always handles himself very well.  
Mr. Hinchey.

#### FSIS ENFORCEMENT ACTIONS

Mr. Hinchey. Thank you, Mr. Chairman.

Dr. Murano, I was just looking at some figures on enforcement actions, and I see that the enforcement actions by FSIS dropped between 2000 and 2001. In 2000, you took 49,392 actions. In 2001, this number dropped to 32,224. I know I am springing this on you at the moment, so I don't expect you to be able to respond in detail about this matter, but if you



would kindly let us know what caused that decline, I would very much like to understand that better.

Ms. Murano. Sure. Mr. Hinchey, one thing that I do have a great interest in is of those enforcement actions, how many resulted in plant suspensions, which is the ultimate enforcement action, if you will, where we pull inspectors, the plant is closed down, and can't operate anymore. And when you look at that, that percentage of enforcement actions that resulted in plant suspensions has actually increased. In 1998 it was about 2.3 percent, and in 2002 it was 4.8 percent. So the enforcement actions, even if overall they have decreased, could be due to a variety of reasons, but certainly the ones that resulted in suspensions, which are the ones I am interested in, because they are the ones that protect the public health the best in the sense of stopping a company that maybe is producing unsafe product, those have increased.

Mr. Hinchey. Suspensions of inspections actually declined from 2000 and 2001. It went down from 184 to 119.

Ms. Murano. If you look over from 1998 on--sometimes they go up, sometimes they go down. It depends on a number of factors.

Mr. Hinchey. I know that you don't have these numbers in your head, and I am not asking you to give me a detailed answer to this now, but I would like the information over the course of the next week or so.

Ms. Murano. Surely.

Mr. Hinchey. These are the numbers that you gave us, and we are seeing a decline in suspensions of inspection from 184 to 119 and a very dramatic drop in the total reviews from 49,392 to 32,224. So I am not asking you to give me that explanation now, I don't think you have it, but I would like to understand it. I would like to know why that is happening, and if you could tell me that, I would very much appreciate it.

Ms. Murano. Certainly.

[The Information follows:]

#### FSIS Enforcement Activities

Suspensions of inspection in fiscal year 2001 are consistent with the number of suspensions in fiscal year 1999.

The decline in suspensions from 184 in fiscal year 2000 to 119 in fiscal year 2001 is primarily associated with the success of HACCP outreach initiatives to establishments and/or industry and plant awareness of the HACCP requirements.

Please note that the numbers that you quoted as enforcement actions for fiscal years 2000 and 2001 (49,976 and 32,224) represent the number of planned and random reviews of establishments and of products as they move through commerce. These reviews are carried out to prevent meat, poultry, and egg products that are not wholesome or safe from entering the food supply, to assure compliance with Federal laws, and to obtain and maintain current data on persons or firms engaged in the handling and distribution of meat, poultry, and egg products. The increased number of reviews during fiscal year 2000 were related to the increase in the number of warning letters issued during the previous year and follow-up reviews conducted during HACCP implementation.

## FOODBORNE PATHOGENS

Mr. Hinchey. I am looking at Consumer Reports, and it is raising a number of red flags with regard to the safety of food out in the marketplace, not at the production facilities, but where people are buying it.

In January the magazine released a report on the condition of chicken in supermarkets. Consumer Reports purchased 484 fresh whole broilers in stores in 25 cities across the country in the spring of 2002. They found *Campylobacter* in 42 percent of the chickens and *Salmonella* in 12 percent of the chickens. They also found that 90 percent of the *Campylobacter* bacteria and 34 percent of the *Salmonella* were resistant to one or two more antibiotics that would normally be used to treat the illnesses caused by this bacteria.

This is a real product. It is in real stores being purchased by real people, and I think that what we are concerned about is that this gets out into the stores in spite of the system that we have set up for controlling *Salmonella* and the other bacteria. The Department doesn't even sample for *Campylobacter*, but I am told this is a serious illness that can cause meningitis, arthritis and something called Guillaume-Barre syndrome.

Consumer Reports say that USDA is working on a study that could help establish a standard for *Campylobacter*, but that you have no timeline in mind for setting the standard. Last November another Consumer Report study looked at contamination in ground beef in grocery stores. They found that 1 percent had substantial levels of fecal bacteria; again, a troubling finding, because there were 198 samples of ground beef from supermarkets in 9 States that tested for fecal bacteria. Two of the samples had high levels of *E. coli* O157.H7, and that we know that 60 people die routinely from *E. coli* O157.H7 infections, and 73,000 become ill. This is a matter of concern. It is being published in a national publication. I would like you to comment on that, if you would, and tell us what you think we ought to be doing working with you to try to prevent these things from occurring in the future.

Ms. Murano. Certainly.

Well, as a microbiologist, I am very well acquainted with *Campylobacter*.

Mr. Hinchey. What is it?

Ms. Murano. It is a gram-negative bacteria that does cause a pretty profuse, watery diarrhea with foul odor, and it is gastroenteritis that certainly can have complications in specific people, such as what you mentioned, Guillaume-Barre syndrome, et cetera.

## FUNDING FOR BASELINE STUDIES

Let me say to you first, to answer the last part of your question. One of the reasons that we are requesting money for these baseline studies is so that we can do baseline studies, for example, on *Campylobacter jejuni*, to determine the prevalence of it in different food products that we regulate throughout the country. That is very important for us because

that is how we can then discern what should be the levels.

But before we run out of time, I do want to certainly make the case that without minimizing the importance of doing whatever we can to reduce Campylobacter illnesses, this is another one of those statistics that CDC has shown that over the last 5 years or so, there has been a 27 percent decrease in Campylobacteriosis illness in the United States, which heartens us certainly, but we do agree that through these baseline studies we will be able to really ascertain what is the prevalence of this organism and then decide what we need to do about it.

Mr. Hinchey. I remain troubled by it because this is a recent report in Consumer Reports, and 42 percent of the chicken that they sampled had this particular bacteria, the Campylobacter bacteria. That is a very high percentage, 42 percent.

Ms. Murano. But we intend to do something about it is what I am telling you.

Mr. Hinchey. Okay. Thank you, Mr. Chairman.

Mr. Bonilla. Thank you, Mr. Hinchey.

Ms. Kaptur, I will let you conclude, unless there are many remaining questions today. But Mr. Boyd has one brief question, and then we will go to Ms. Kaptur to conclude the hearing.

#### EXOTIC NEWCASTLE DISEASE

Mr. Boyd. Thank you, Mr. Chairman. And my question maybe is for Dr. McKee.

The Exotic Newcastle disease issue in California, I know you have got FSIS inspectors from all over, including in my State of Florida, going there to help. Can you tell us about the protocol for quarantine after those personnel come back to their States? And there has been some question amongst some of my folks that it may not be adequate, and I wanted you to address that.

Mr. McKee. Thank you, Mr. Chairman and Mr. Boyd. I can't go into exact details of the process, but I was involved in direction that a protocol would be set up that would be adequate to prevent any return of or contamination of those inspectors or veterinarians that were helping to work the Newcastle outbreak. So I can assure you that the procedures that we put in place to prevent that was adequate.

I do have information. Seventy-two hours is the decontamination time that they are required to go through, and it is a process that we can assure that there will not be contamination coming back into the plant.

Mr. Boyd. Dr. McKee, there have been some, including a former ARS director of the Southeast Poultry Research Lab in Athens, Georgia, who have questioned the adequacy of that protocol, and I don't understand all of those things. You and your people, some of whom are sitting behind you, do better than I do, but if you would personally look at it and be satisfied those protocols are adequate, I think it would be very helpful to our people in Florida.

Mr. McKee. Yes, I will certainly do that.

Mr. Bonilla. Thank you, Mr. Boyd.

Mr. Hinchey is going to submit a couple more questions for

the record, to my understanding, but I will let Ms. Kaptur wrap up the last 5-minute round here that we have.

#### FOODBORNE ILLNESSES

Ms. Kaptur. Thanks, Mr. Chairman.

I just wanted to place on the record, before I conclude, data from the CDC that food-borne illness this past year has caused 76 million illnesses in our country, 325,000 hospitalizations and 5,000 deaths. In the new data that the CDC has given to us, they only have summarized the data relating to the incidence of illnesses, and there is no data on hospitalizations or death in the newly amended report. The CDC does discuss the FSIS, however, and HACCP, but they lump statistics together with the FDA, seafood, juice, HACCP, egg quality improvements and so forth. One of the statements they do make in this updated report is that there is a very high incidence of food-borne illnesses in children; especially infants remain a major concern.

#### LISTERIA RECALL

Ms. Kaptur. I would also like to submit for the record in my own way in defense of a food inspector that I have never met following on the Wampler plant. It was just one inspection report submitted midyear last year where he observed the operations of the chicken roll department and observed several flies on the chicken salad blending area during operations. He immediately notified his department supervisor of those findings and observed noncompliance in the following week. The preventative measures, as indicated on the previous report, were not applied or were ineffective as he then did a subsequent examination. He found no documentation to suggest that the company had done anything to remediate the problem. He held a meeting with the second shift plant manager and provided a written notification of a repetitive facility noncompliance.

I just believe that this set of deaths and illnesses didn't have to happen because something didn't go right inside of the inspection process in its relationship to the plant management. Too many weeks were wasted, Madam Under Secretary, and I am hoping for the record you would provide for us a detailed explanation of what happened in all those days that were wasted before the USDA finally shut that plant down and tried to get the company to remediate the Listeria and other problems, health and safety problems, that were there.

[The information follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

#### CONSUMER NOTIFICATION OF RECALLS

Ms. Kaptur. I thank you very much for your testimony today, and in the remaining 2 minutes my final question is I am going to submit for the record the recall notice that was just issued on a plant in Ohio, and it basically tells people where the product was made, American Food's Group, Green Bay Dressed

Beef, 106,000 pounds of fresh and frozen ground beef contaminated with E. coli 0157:H7. But then they tell you that some of it was sent to Kroger as beef ground sirloin patties. Some of it was sent to Meyers as ground beef chuck.

How does the consumer know how to interpret these in order to protect themselves? It says that these products were distributed to stores in Ohio, Illinois, Indiana, Kentucky, Michigan, Missouri, North Carolina, Tennessee, Virginia and West Virginia. What is the consumer's ability to know that this is something I don't want to buy? What kind of labeling or information can you provide to the consumer so they know how to act on this report? How can you make it consumer-friendly?

Ms. Murano. I understand that, and the difficulty that sometimes occurs. But in this particular case there is what we call case-ready product which would have that label. So in this particular case, this is easy for a consumer to know because it is case-ready. In other words, it came already packaged. But what happens a lot of times is that product gets sold to a supermarket, they open it up, regrind it, mix in some other trimmings, and then it gets repackaged, and that is the product that consumers cannot correlate with what might be on a press release such as this.

In this particular instance, that is not a problem, but typically it is for that very reason, because of the repackaging that occurs at the retail store. That is why we urge people then to simply return the product to the point of purchase or throw it out or whatever they want to do with it, because they have that power within them, and I don't underestimate the intelligence of American consumers. I think people realize that if you live in one of those States, and you have ground beef, there is nothing wrong with going to your point of purchase and saying, is this part of the recall? And retailers do a very good job of informing their customers whether it is or it isn't.

But I do share in the concern certainly that what we want is for consumers to heed these warnings, and that is something that is a personal concern to me because a lot of times even when consumers know that a product is contaminated, that it is exactly what they have in their refrigerator, such as what happened a few years ago with ice cream from Schwan's company, 31 percent of the people, knowing that the product was contaminated and they were contacted by Schwan's, still went ahead and ate it. So it is a difficult situation that even when they have all the information, sometimes they don't comply, and that is why our food safety education campaign is so important.

#### RECOVERY OF RECALLED PRODUCTS

Ms. Kaptur. Madam Under Secretary, I am going to ask you for recommendations for the record of how bar-coding can be placed on meat, especially the plants that have been cited in the past, so the consumer can absolutely know that they shouldn't buy it, because most of the meat that is recalled is not recovered.

[The information follows:]

#### BAR-CODING

All product recalls are voluntary actions undertaken by companies or institutions. The company conducting the recall determines the best way to notify their consumers, which may include the issuance of a press release or some other type of public information. Currently, FSIS has in place mechanisms to allow consumers to identify product involved in a voluntary recall. All labels for products under FSIS' jurisdiction must list the establishment's name and address. When a company decides to carry out a voluntary recall, FSIS issues two documents for the recall of all products under FSIS inspection--a press release and a Recall Notification Report (RNR), which lists the company's name and address. The press release is widely distributed to various news media outlets, trade associations, consumer groups, and Congressional staff. The RNR is distributed via e-mail to other Federal agencies and to over 450 food safety, agricultural, and public health officials throughout the United States at the Federal, State, and local levels. Both the FSIS press release and the RNR are posted on the agency's web site. The agency believes that bar-coding would not provide any additional benefit over the agency's current practices for notifying consumers.

What percentage of the meat at Wampler's has been recovered to date; not recalled, but recovered? Of 27 million pounds, how much?

Ms. Murano. I don't know the answer to that, but I am sure it is not anywhere near the full amount. Part of the problem is that we always conduct recalls going as far back in time as necessary to err on the side of safety, and most of the time a lot of that product has already been consumed, too, so for us to recover it is impossible.

I do agree with you that a lot of times we put down a figure of a certain amount, and there is no way we can recover that amount because it has already been consumed. So that is one of the frustrations that we actually have with people being very concerned about knowing how much product is there.

Mr. Bonilla. Dr. Murano, thank you for your testimony here today.

Dr. McKee, Steve, we appreciate your time, and I think that you sense, every member of this subcommittee, that they have a tremendous respect and appreciation for the work that you have done under the leadership of Dr. Murano the last year and a half.

Ms. Kaptur has a letter she would like to submit for the record.

Is that correct, Ms. Kaptur?

Ms. Kaptur. Thank you, Mr. Chairman. It is.

Mr. Bonilla. Without objection, it will be entered into the record.

[The information follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Bonilla. Again, we thank you for your testimony. The subcommittee will stand in recess until 1:30 this afternoon.

[Recess.]

[The information follows:]

[GRAPHIC(S)NOT AVAILABLE IN TIFF]

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